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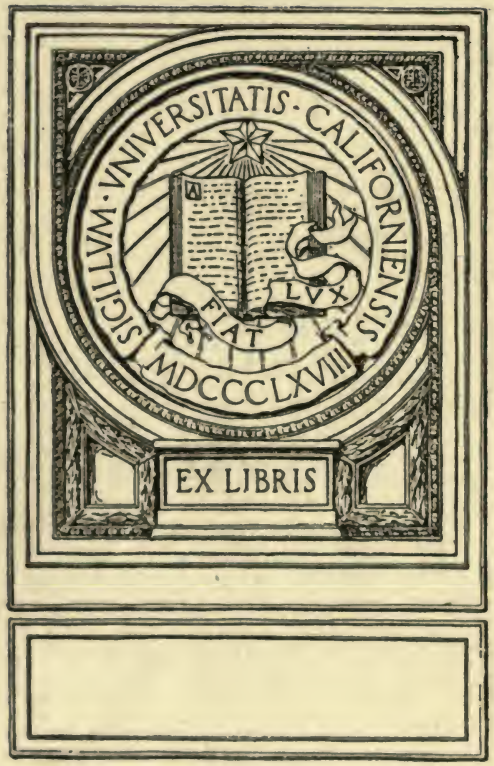
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1916

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EXPLANATORY NOTE

Ever since President Wilson's message to Congress of December 7, 1914, asking for legislation for the encouragement of American shipping, a bill has been before Congress, in some form or other, providing for government participation, in some measure, in the ownership and control of an American merchant marine. While no bill has been passed to this date, the debates have been the means of arousing the public to the present condition of American shipping, and of reviving discussion of this subject to a considerable degree. In response to the resulting demand for material on this question, this volume has been compiled for the use of students, debaters and others wishing to make a study of the question. It attempts to set forth the facts in regard to the history of our merchant marine and its present status with regard to the shipping of other nations. The arguments for and against government ownership and control are also presented. In keeping with the general plan of the series, this volume contains affirmative and negative briefs, a selected bibliography, and reprints of much valuable material on the question.

E. M. Phelps.

July 29, 1916.

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CONTENTS

BRIEFS

Introduction xi
Affirmative xii
Negative xiv

BIBLIOGRAPHY

Bibliographies xvii
Books, Pamphlets and Documents xviii
Periodicals
General References xxi
Affirmative References xxvi
Negative References xxvii

INTRODUCTION 1

GENERAL DISCUSSION

The American Merchant Marine: What It Has Been, What It Is, What It Ought to Be .....
.....Report, Boston Chamber of Commerce 7
Summary of Pertinent Data .....
.....Referendum No. 9. U. S. Chamber of Commerce 29
What the War Has Done to Shipping .....Independent 41
Forms of Government Aid to Shipping .....
.....Special Agents Series No. 119. Bureau of Foreign and Domestic Commerce. U. S. Department of Commerce 42
Fortunes of the Shipping Industry .....Nation 48
The Use and Benefits of an American Merchant Marine
.....Bulletin No. 2. Directories of the Port of Boston 52
Huebner, Grover G. Probable Effects of the War on the Foreign Trade of the United States .....
.....Proceedings. Academy of Political Science (N. Y.) 59
Government Ownership: Private Ownership .....
.....National Foreign Trade Council 69

AFFIRMATIVE DISCUSSION

Fletcher, Duncan U. What Congress Has Done to Build up an American Mercantile Marine.....
.....Proceedings. Academy of Political Science (N. Y.) 77
Garner, James W. Arguments for Government Aid.....
.....North American Review 97
Redfield, William C. The Imperative Need for Ships Owned by Americans.....Engineering Magazine 98
Owen, Robert L. What Congress Should Do to Develop an American Mercantile Marine.....
.....Proceedings. Academy of Political Science (N. Y.) 102
Hardy, Rufus. The Restoration of Our Merchant Marine..
.....National Economic League Quarterly 106
Alexander, Joshua W. Government Ship Purchase Bill....
.....Scientific American 115
Stoddard, W. L. The Shipping Bill...Railway Age Gazette 116
McAdoo, William G. Ship Purchase Bill..... 118
Adequate Shipping Facilities for Foreign Commerce.....
.....63d Congress, 3d Session. Senate Report. No. 841 128
Government Ownership and Operation of Merchant Vessels in the Foreign Trade of the United States.....
.....63d Congress, 2d Session. House Report. No. 1149 138
Sweet, Edwin F. The Government and the Shipping Problem. Official Report. Third National Foreign Trade Con-
..... vention 143
American Merchant Marine.....
.....63d Congress, 2d Session. Senate Doc. No. 601 146

NEGATIVE DISCUSSION

Promotion of the Foreign Commerce of the United States: Views of the Minority.....
..63d Congress, 3d Session. Senate Report. No. 841. Part 2 151
Why Our Shipping Has Declined.....Unpopular Review 162
Burton, Theodore E. The Opposition and the Shipping Bill 166
Dollar, Robert. Development of a National Shipping Policy 176
Government Ownership Policy Deters Private Enterprise..
.....Report. National Foreign Trade Council 182
Will the Pending Bill Encourage American Shipping?.....
.....Statement. National Foreign Trade Council 186

Marvin, Winthrop L. The Restoration of Our Merchant Marine.....National Economic League Quarterly 197
Thomas, John H. The American Merchant Marine..Century 202
Report of the Special Committee on the Merchant Marine .....U. S. Chamber of Commerce 205
Referendum No. 9—Merchant Marine....Nation's Business 207
Hadley, Lindley H. Shipping Bill Will Add Nothing to Our Tonnage.....Congressional Record 209
Weeks, John W. The American Merchant Marine..... .....Proceedings. Academy of Political Science. (N. Y.) 211
Ring, Welding. Development of the American Merchant Marine ....Proceedings. Academy of Political Science (N. Y.) 214

BRIEF

Resolved: That the United States should have a government-owned merchant marine.

INTRODUCTION

I. The history of our American merchant marine shows that while our coastwise shipping trade has prospered, the foreign carrying trade has not developed in similar proportion to the growth and prosperity of the nation.
   A. The proportion of our imports and exports carried in American ships in 1810 was 91.5 per cent; in 1914 it was 8.3 per cent.

II. Various reasons given for this decline in American shipping are:
   A. The development of the United States as an agricultural rather than as a maritime nation.
   B. American shipping has not received the necessary government aid to enable it to compete with the government-aided ships of foreign nations.
   C. Costs of production and operation are much higher for American than for foreign ship-owners.
   D. Such legislation as has been enacted has hindered rather than helped.

III. Various remedies are proposed for the relief of American shipping.
   A. Discriminating duties.
   B. Subsidies.
   C. Increase in amounts granted under the Ocean-Mail Act of 1891.
   D. Government ownership of our merchant marine.

IV. The issues seem to be:
   A. Is a larger merchant marine essential to our welfare as a nation?

B. Is government ownership and control the best method whereby to acquire a larger marine?

ARGUMENT FOR THE AFFIRMATIVE

I. An American merchant marine has long been needed for our foreign trade.
   A. To develop our foreign commerce especially in the establishment of new routes and of connections with new countries.
   B. To provide our navy with the necessary colliers and auxiliary vessels.
   C. To improve our foreign mail service.
   D. To give American shippers the advantage of freight rates.

II. The present condition of our foreign shipping is serious and calls for prompt relief.
   A. Freight rates are exorbitant.
   B. The number of ships available for American trade has been greatly reduced.
      1. Many ships of the belligerent nations have been destroyed or requisitioned for government purposes.
      2. Neutral ships give precedence to the shippers of their own countries.

III. A government-owned merchant marine would best meet present needs.
   A. Other methods have not been successful, or are objectionable.
      1. Private capital has not engaged in foreign shipping under American registry to any great extent.
         a. Due to our present navigation laws, the cost of purchasing and operation is greater under American than under foreign registry.
         b. Private capital cannot compete successfully with the large shipping corporations now in existence.
      2. The "free ships" policy has not succeeded in bringing many ships under American registry.

3. Discriminating duties are contrary to existing treaties.
4. Mail subventions have not operated to build up our merchant marine.
5. Subsidies are objectionable.
   a. Such payments of this kind as have been granted have not succeeded in building up a merchant marine.
   b. They result in favoritism and discrimination.
   c. They lead to extravagance and corruption.

IV. Government ownership of a merchant marine is wise from an economic standpoint.
   A. It will reduce freights and provide vessels for American shippers.
   B. By thus giving the government additional shipping to fall back upon in case of war, the number of auxiliary vessels, needed for naval use, can be kept at a minimum.
   C. The experience of our government with similar undertakings shows that the service can be rendered both economically and efficiently.
   D. The argument that it will check private enterprise from going into the foreign shipping does not apply.
      1. Private capital has done little in that direction so far.

V. Government ownership of a merchant marine is a legitimate function of government.
   A. The government already owns and operates the Panama Railroad Steamship Company.
   B. There are problems in mercantile shipping that private ownership has never solved. It is time for the government to step in.
   C. The cry of paternalism is unfounded.

VI. A government monopoly will not be created.
   A. Only a limited amount of shipping is to be owned by the government.
   B. It is proposed that the government sell its ships as rapidly as possible.

VII. Our neutrality will not be endangered.
  A. Great Britain and the United States have long upheld the right of a neutral nation to purchase the merchant vessels of a nation at war.

VIII. Ample precedent exists for government ownership of a merchant marine.
  A. Business men have already asked the government to take over the business of war risk insurance.

ARGUMENT FOR THE NEGATIVE

I. While it is granted that a larger merchant marine would be a great advantage to us, the immediate needs are not as pressing as have been reported.
  A. The situation with regard to freight rates is not as serious as has been stated.
    1. The amounts paid in freight rates to foreign shippers have been greatly overestimated.
    2. Higher freight rates are more than offset by higher prices received.
  B. The scarcity of ships has been overestimated.
    1. The increase of our exports is more than offset by the falling off in the trade of belligerent nations.
    2. The present shortage is due more to the risks of war, the lack of port and terminal facilities and of marine insurance and to the shortage of labor than to the lack of ships.
      a. This shortage can be relieved to a great extent by providing adequate war risk insurance, and by making loans to private shippers at reasonable rates.

II. Government ownership of a merchant marine is wrong in principle.
  A. It is class legislation and contrary to our American ideals.
  B. It destroys individual effort.
  C. Government ownership should be restricted to such businesses as are naturally monopolistic.

III. Government ownership would defeat the very object it is supposed to accomplish.
   A. The consequent reduction of rates would not only keep American capital from investing but would also drive present American shipping from the foreign trade.

IV. No immediate advantage could be gained by government ownership.
   A. Mere transfer of present shipping to the government would not increase the amount of shipping available.
   B. Additional ships cannot be secured for present needs.
      1. Only the ships of the belligerents are for sale and to buy these would endanger our neutrality.
      2. Shipyards are now working to full capacity with orders ahead for some time to come.
      3. Enough ships cannot be bought by the funds provided under the present bill to materially alter the situation.
   C. No provision is made for tramp shipping through which a large part of foreign commerce must be done to make the foreign shipping trade profitable.
   D. A government-owned merchant marine would not be sufficient to develop trade with new countries.
      1. Capital must often be advanced, as well as shipping facilities, to develop new resources.

V. Government ownership would be wasteful.
   A. Government management is usually more expensive than private management.
   B. Ships are selling at abnormally high prices at present.
   C. After the war foreign shipping will again compete.

VI. Government ownership would be undesirable for other reasons.
   A. It would mean the purchase of ports, terminals, etc., which would lead to political favoritism.
   B. It would mean government trading to secure return cargoes.
   C. The shipping board would have too much power.
      1. The rate-regulating power should not also own part of the shipping.

D. Government ownership is not needed.
   1. It cannot remedy the present situation.
   2. Private owned American shipping will increase after the war.

E. Other remedies would be preferable.
   1. Our present navigation laws could be amended so as to put American shippers on equal terms with those from other countries.
   2. Discriminating duties and subsidies were both successful in building up our merchant marine to the prosperity attained in its early history.

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SELECTED ARTICLES ON THE AMERICAN MERCHANT MARINE

INTRODUCTION

When the student of the American merchant marine begins his investigation of the subject he finds the following situation existing: In 1789 the total amount of United States shipping registered for foreign trade was 123,893 tons and the proportion of American exports and imports carried in American vessels was 23.6 per cent. (These figures are quoted from the report of the Bureau of Navigation and Bureau of Foreign and Domestic Commerce of the Department of Commerce.)

If he continues to study the figures quoted in this report he also finds that the total of American tonnage increased, with occasional lapses, to 804,851 tons in 1817, dropped back to 537,563 tons in 1830, and reached its highest point of 2,496,894 tons in 1861. Then tonnage began to drop off gradually, reaching its lowest point in 1898, when it registered 726,213 tons, increasing gradually again to 1,066,288 tons in 1914. According to Lloyd's Register, Great Britain's tonnage for 1915 was 21.045,049 tons, Germany's was 5,459,296, while the tonnage of the United States was estimated at a total of 5,368,194, of which only 2,970,284 tons in all were estimated to be in the foreign trade.

Referring to the former table again the student finds that the proportion of our foreign trade carried in American vessels was 23.6 per cent in 1789, reached 92 per cent in 1796, dropped back to 54.5 per cent in 1814, reached the level of 92.5 per cent in 1826, and then dropped almost steadily up to the present time to the low figure of 8.6 per cent.

Thus the student is confronted at the outset not only by the fact that the total amount of American foreign shipping is low as compared with that of other large nations, but that it has not increased at a rate commensurate with the general increase in growth and prosperity of the country. He is also brought to

realize that the proportion of our foreign shipping carried by American ships is decreasing rather than increasing, and that the United States is gradually being forced to one side in its own foreign carrying trade.

These conditions have been realized for many years, and Congress has been appealed to repeatedly by the shippers and business interests, for legislation that would bring relief. Very little in the way of constructive action has been undertaken, however, and such legislation as has been enacted, has apparently availed little to remedy the situation. The European War, however, has served to bring home more plainly than ever the needs of American shipping and the lack of a constructive governmental policy. As a result there is now before Congress a bill to establish a government-owned merchant marine. Before setting forth briefly the terms of the proposed legislation it is well to review, in short compass, the past history of the American merchant marine.

At the close of the Revolution, England had the balance of the foreign carrying trade in her favor. The abundance of timber in the United States and the native genius of the American enabled us to compete by building better ships at a lower cost. The first act of Congress passed under the new Constitution, on July 4, 1789, allowed a discount of 10 per cent of the tariff duties on all goods imported in ships built and owned by American citizens. A further rebate was allowed on tea imported from the East Indies in American vessels. Another act of Congress gave American vessels further advantages in tonnage duties and practically barred foreign vessels from the coastwise trade.

In 1794 the discount of 10 per cent in tariff duties on goods imported in American vessels was changed to an addition of 10 per cent to the duties on goods imported in foreign vessels. With this encouragement American tonnage increased from 123,893 in 1789 to 411,438 in 1792. The proportion of our exports and imports carried in American ships rose from 23.6 per cent in 1789 to 92 per cent in 1807.

Then came the War of 1812, and at its close the United States largely abandoned its policy of preferential duties by offering to make treaties with other nations by the terms of which the preferential duties on goods imported in American ships would be given up provided other nations would reciprocate. The gen-

eral effect of abandoning this protective policy appears to have had unfavorable results. While American shipping continued to increase slowly up to 1840, the advance was very much less than it had been during the period of protection.

Beginning with 1840 the British government began a new form of encouragement to her shipping by granting subsidies to certain steamship lines. This was the means of establishing control of steamship navigation in English hands. Later, France and other nations followed England's lead, and the United States stood alone in refusing to grant a subsidy. This prevented steamship lines from being undertaken by American capital, and our sail-packets could no longer compete. Finally, in 1845, Congress authorized the Postmaster-General to make mail-contracts with American lines, and under this act certain amounts were paid in mail subsidies. This Mail Subsidy Act was repealed in 1855, due to sectional feeling. The ships were mostly northern and the South was in power.

Other conditions also operated to reduce our American merchant marine at this period. Vessels began to be built of iron instead of wood, and American shipbuilders could not compete with England in the building of iron vessels. The Civil War operated to destroy or otherwise reduce the number of ships then available for the foreign trade. Shipping dropped gradually and steadily until 1898, when it was only 726,213 tons. Since then there has been a material gain.

After the repeal of the Ocean-Subsidy Act in 1855 no other legislation was enacted for the relief of American shipping until 1891. Then the Ocean Mail Act was passed providing subsidies for postal lines. Although the amounts granted were comparatively small, this Act has been of much assistance.

In 1904 a Merchant Marine Commission was appointed by Congress to make a thorough investigation of the ocean carrying trade. This Commission held hearings in various parts of the country and finally published a report in 1905 recommending national encouragement in the establishment of regular lines to the West Indies, South America, South Africa, and the Orient. A bill carrying these provisions was introduced in Congress but failed to pass.

In 1912 an attempt was made to bring American-owned vessels in the foreign trade under American registry by including in the Panama Canal Act of August 24, 1912, a provision offering

free registry for ocean trade to American-owned foreign-built vessels not more than five years old. So few vessels took advantage of the Act that on August 18, 1914, an emergency measure was passed providing that American-owned, foreign-built vessels could be admitted to American registry, regardless of age. The President was also authorized to suspend certain requirements of law regarding the nationality of the officers of such vessels—and to exempt them from compliance with our measurement and inspection laws. This has been effective in enrolling a number of such ships under the American flag.

Another law recently passed affecting American shipping is the Seaman's Act of 1915 increasing the requirements for the health and comfort of the seamen engaged on American vessels, and for greater safety at sea. American shipowners claim that this largely increases the cost of operation and makes it more difficult for American ships to compete with those of other nations.

These are the events leading up to the legislation now pending before Congress. On September 4, 1914, a bill (H. R. 1866) was introduced in the House of Representatives by J. W. Alexander, Chairman of the House Committee on Merchant Marine and Fisheries, providing for government ownership and operation of merchant vessels in the foreign trade of the United States. This bill passed the House but was lost in the Senate. The matter was again urged by President Wilson in his message of December 7, 1914, and on January 26, 1915, a substitute bill was introduced in the Senate by Senator Duncan A. Fletcher. This bill proposed that government ownership and operation should be secured through a shipping board, which should subscribe to 50 per cent of the capital stock of a corporation to be organized by the board. This bill also failed to pass. On January 31, 1916, another bill (H. R. 10,500) was introduced in the House by Representative Alexander with provisions similar to the above. On May 9 a substitute bill (H. R. 15,455) was reported by the Merchant Marine Committee which is the bill now pending. This bill provides for a Shipping Board composed of the Secretary of the Navy and Secretary of Commerce as members ex-officio, and five commissioners to be appointed by the President. The board is authorized to secure vessels needed for our foreign trade, either by purchase, construction, lease, or charter, and to charter, lease or sell any of these vessels as seems advisable to private citizens of the United States. The board is also authorized to

form a corporation for the purpose of engaging in shipping, capital stock not to exceed $50,000,000. It is also given certain duties of regulation over private-owned American shipping.

Recent discussions and hearings held by such bodies as the United States Chamber of Commerce, the National Foreign Trade Council, and others, show that while business men are in favor of a non-partisan shipping board to control our foreign shipping they are generally opposed to the feature of government ownership and control. The reprints which have been selected for this volume describe the principal events leading up to the present condition of our American shipping and also discuss at length the leading arguments advanced for and against government ownership of an American merchant marine.

E. M. Phelps.

July 29, 1916.

GENERAL DISCUSSION

THE AMERICAN MERCHANT MARINE: WHAT IT HAS BEEN, WHAT IT IS, WHAT IT OUGHT TO BE[1]

A concise account of the rise and decline of our overseas shipping industry is helpful to a right understanding of the present-day problem of the American merchant marine. This problem relates wholly to that part of our merchant marine that is engaged in the external trade of the United States—the trade with the ports of foreign nations. The home trade of the United States on ocean, lake or river has been reserved to American vessels ever since the founding of the federal government. Under this policy our coastwise tonnage has grown steadily from 68,607 in 1789 to 6,852,536 in 1914. This is incomparably the greatest coastwise shipping in the world, greater than the entire coastwise and overseas tonnage of the German Empire, or equivalent to threefold the entire tonnage of France or Norway and fourfold the tonnage of Japan. American coastwise navigation is a well-developed and reasonably prosperous business, a trade of vigorous competition, dominated by no trust or monopoly and steadily and swiftly growing. It needs no more national encouragement and it asks none.

But with the shipping registered for trade overseas it is very different. Normally, this should be by far the larger proportion of our merchant marine; actually, it has shrunk to such relative insignificance that on June 30, 1914, one month before the outbreak of the European war, our shipping registered for foreign commerce amounted to only 1,066,288 tons, or less than one-sixth of our home trade shipping.

More than a century ago, in the year 1810, the United States, with only one-fourteenth of the population of today, had 981,019 tons of shipping registered for foreign commerce, and was carry-

[1] Report of the Special Committee of the Boston Chamber of Commerce.

ing under its own flag 91.5 per cent of its own imports and exports. In the fiscal year 1914, American ships conveyed only 8.6 per cent of our imports and exports.

This very great expansion of our coastwise shipping, even against the intensifying competition of the railroads, stands in sharp contrast with the long decline of our overseas shipping, and is manifestly to be explained by the fact that in the one trade it is American against American, with substantial equality in wages and other conditions, while in the other it is American against foreigner, with the overwhelming advantage of lower wages and requirements and certain powerful forms of national assistance on the foreign side.

Early Shipping Laws

Though Americans of the colonial period won success as shipbuilders and seamen, the effect of the Revolution was such that at its end, in "the critical period of American history," most of our overseas carrying trade fell into the hands of British shipowners. Our entire merchant fleet registered for foreign commerce amounted to only 123,893 tons in 1789, and only 23.6 per cent of our own trade was being conveyed in American vessels. In other words, the condition of the ocean shipping business of this country, when the federal Constitution was adopted and Washington became the first President, was not very unlike its condition at the present time.

Washington, Adams, Jefferson and Madison all joined in urging immediate relief for the merchant shipping industry, and the very first act of the first Congress under the new Constitution, passed on July 4, 1789, "for the support of the government, the discharge of the debts of the United States and the encouragement and protection of manufactures," contained an important clause allowing a discount of 10 per cent of the tariff duties on all goods imported in ships built and owned by American citizens. Moreover, on tea imported direct from the East Indies in American vessels a further and far heavier rebate was provided, and the third act of this new Congress, on July 20, 1789, gave American vessels a marked preference in tonnage duties and virtually barred foreign vessels from the coastwise trade. In 1794, in place of a discount of 10 per cent in the tariff duties on goods imported in American vessels, 10 per cent was added to the duties on goods imported in foreign vessels—a change of

method, but not of principle. There was no sectional or party division over this early legislation for the encouragement of the American merchant marine. Thomas Jefferson of Virginia, then Secretary of State, wrote in 1794, "To force shipbuilding is to establish shipyards; is to form magazines; to multiply useful hands; to produce artists and workmen of every kind who may be found at once for the peaceful speculations of commerce and for the terrible wants of war."

Success of the Preferential Duties

These laws of the founders of our government, so frankly and strongly preferential to American shipping, instantly destroyed the British monopoly of three-quarters of our ocean carrying. As a historian of the period has well said, "The growth of American shipping from 1789 to 1807 is without parallel in the history of the commercial world." American tonnage registered for overseas commerce increased at once from 123,893 in 1789 to 346,254 in 1790, 363,110 in 1791 and 411,438 in 1792. It was at this time and under this policy that Boston and Salem laid the foundations of their great East India commerce. The proportion of our total imports and exports carried in American ships rose from 23.6 per cent in 1789 to 40.5 per cent in 1790, to 55.9 per cent in 1791 and to 64 per cent in 1792. By 1795 no less than 90 per cent of our commerce was conveyed in American vessels. Foreign flags, which a few years before had dominated our commerce almost as completely as they do today, well-nigh vanished from our ports of the North Atlantic. In 1800 there were 667,107 tons of American shipping registered for overseas voyages, and in 1810, 981,019 tons.

This wonderful growth of our ocean fleet was achieved, in spite of European impressment and embargo, through the power of wise laws which made it advantageous for American merchants to employ American vessels whenever they had occasion to bring goods from foreign lands—and preferring these ships for the import trade, they naturally utilized them for the export trade also. Thus assured of constant employment, American shipowners, building many vessels in succession from the cheap and abundant timber of the Atlantic coast, developed models that combined capacity with speed, and American officers and crews navigated them with the utmost skill and daring. National encouragement of this maritime industry had quickly produced a

smartness and efficiency, the like of which the world had never seen.

Misnamed "Reciprocity" and Its Results

So confident had our statesmen grown of the superiority of American ships under any circumstances that in a commercial convention with the British government, framed shortly after the end of the naval war of 1812-1815, the United States withdrew its preferential duties as against British ships in the "direct" trade with the United Kingdom. Moreover, under pressure from inland and agricultural interests our government, through commercial treaties and acts of Congress, gradually withdrew the shipping preference from other trades, though this was not completely effective until 1850, against our chief competitor, Great Britain. These "reciprocity" acts were passed in the face of the earnest protests of the merchants and shipowners of the coast, who best understood the situation.

American shipping continued to grow slowly up to the Mexican war period, but there was not again such a marvelous expansion as that of 1789-1810. In 1832 a tonnage of 614,121 was registered under the flag of the United States, carrying 83.1 per cent of our imports and exports; in 1845 a tonnage of 904,476, carrying 81.7 per cent. Foreign vessels were figuring more largely in our overseas trade, but on the other hand, our ships were conveying a part of the trade of other nations.

Just how reciprocity on the sea would have resulted in the long run cannot be known, for it soon proved that it was not real reciprocity at all, but somethink very different and delusive. The United States in entire good faith, in the years between 1815 and 1850, entered into commercial agreements with foreign governments that ships of either nation should be admitted on terms of equality into the ports of the other so far as tariff and tonnage duties, etc., were concerned. In other words, the preference or encouragement which Washington, Adams, Jefferson and Madison had given to American shipping was step by step abandoned. One result was that British ships, manned at a lower wage scale, increased nearly 400 per cent in our own ports between 1831 and 1840, while our own ships gained but 40 per cent in all the ports of the world.

British Subsidies to Steamships

This was while the competition was with sail ships, wooden built, on either side. But just before 1840 the British government began to invoke a new form of encouragement. In 1834 a subsidy of $85,000 a year was given to the Rotterdam and Hamburg steam packets of a British company, and another subsidy of $150,000 to the packet service to Gibraltar. These British royal payments were found to be so valuable in their influence on the new art of steamship and engine building in the United Kingdom that in 1838 another and much larger subsidy was offered for a British steamship service across the North Atlantic. In the year following a subsidy of $425,000 a year was secured by Samuel Cunard for a steam line from Liverpool to Halifax and Boston. "It is beyond question," declares James Russell Soley, the historian, "that the sum paid to the Cunard Company in its early days, amounting to about 25 per cent per annum on the cost of the running plant, and subsequently increased to $550,000, to $750,000 and to $850,000, was clearly a subsidy; that it was given with the plain intention of establishing firmly in English hands the transatlantic traffic, and that it accomplished the desired result."

Other British subsidies quickly followed the Cunard—to the Royal Mail Steam Packet Company, for lines to the West Indies, Brazil and Argentina, to the Pacific Steam Navigation Company for a line to the west coast of South America (this was established by an American, William Wheelwright, of Newburyport, who had first sought a subsidy in vain in Washington), to the Peninsular & Oriental for lines to the East Indies and to other companies in all quarters of the world. In a few years British subsidies totalled $3,000,000 or $4,000,000 annually.

The United States had been outwitted by British diplomacy and statesmanship. First, the preferential policy of Washington and his colleagues had made American shipping the most prosperous in existence. "That starred flag," the London Times lamented, "is now conspicuous on every sea, and will soon defy our thunder." But we were adroitly persuaded to lay aside the weapons that had served so well, and when we had bound ourselves by solemn treaty no longer to employ them, the British government introduced the new and potent expedient of subsidy which the treaties and agreements did not forbid.

America Adopts Subsidies Also

This new departure did not pass unchallenged in the United States. It is almost forgotten now, but it is a fact of record that the American government for a time resolutely met subsidy by subsidy and was brilliantly successful in the contest. It was an American, Fulton, who created the first efficient steamboat, in the Clermont of 1807. Steam craft came into immediate use on rivers, sounds and bays here, and in 1830 appeared in the ocean coast trade. Ericsson, with his screw propeller, was rebuffed in England, but received and honored here, and in 1841 the first seagoing screw steamship was built for an American line from New York to Havana. At that period when the Cunard subsidies began, the United States was clearly ahead of Great Britain in steam navigation. Moreover, ships had begun to be built of iron here, the Bangor, for example, for New England coast service, in 1844. American ingenuity and enterprise were as quick and competent to deal with steam as with sail, with metal as with wood. The idea that iron steamships could not be built in the United States before the Civil War is the invention of malice or of ignorance.

It is a profoundly significant fact that the initiative in the movement to meet British steamship subsidies by American subsidies was taken by Southern men who were Democrats in national politics. Senator Thomas Butler King, of Georgia, was the pioneer. In 1841, soon after the first Cunard steamers had reached the United States, he began to advocate in Congress the granting of mail subsidies, no less liberal than the British, to put the American flag into equal competition. "British statesmen," he said, "are resolved to monopolize the intercourse between America and Europe. Of all the lines of sail packets which cross the Atlantic not one is owned in Europe, and it is not to be doubted that American merchants, properly encouraged, will assuredly excel in them (steamship lines) as they have done in sailing vessels."

President Polk, a Southern man and a Democrat, advocated subsidy legislation in his message to Congress. "The national policy," he said, "by which a rapid communication with the various distant ports of the world is established, by means of American-built steamers, would find an ample reward in the increase of our commerce, and in making our country and its resources favorably known abroad"—but President Polk went on

to argue that the national advantage was "still greater of having powerful steamships available for war," and "having the privilege of taking the ships already equipped for immediate service at a moment's notice." This, he declared, "will be cheaply purchased by the compensation to be paid for the transportation of the mail over and above the postage received. A just national pride, no less than our commercial interests, would seem to favor the policy of augmenting the number of this description of vessels."

The Collins American Line

So a Southern Democratic President wrote, and a Democratic Congress acted on his recommendations, the project being supported by members of Congress without regard to party distinctions. A subsidy of $200,000 was granted to a new American steamship line to Havre and Bremen—less than half the sum paid to the Cunard line, and the American ships were larger. This was under the ocean mail laws of 1845 and 1847, by which additional American steamship services were established to the West Indies, the Isthmus of Panama and up the Pacific coast to Oregon.

In 1847 a contract was concluded by our government with the head of the celebrated Collins line of trans-Atlantic steamers for a subsidy of $385,000 a year. When Mr. Collins built steamships much larger and more powerful than the Cunard ships his subsidy was increased to $858,000 a year—the Cunard line was then receiving $856,000 from the British government. This new American line began under the brightest auspices. Its steamers beat the Cunard steamers regularly in passages from land to land and secured the bulk of the first-class passenger traffic. Moreover, as Lindsay, the historian of British shipping, said, "Before the Collins line was established the Cunard steamers were receiving £7 10s sterling per ton for freight, which was so much a monopoly rate that in two years after the Collins line had commenced the rate of freight fell to £4 sterling per ton." Under the impulse of the mail subsidies, American ocean steam shipping rose from 16,068 tons in 1848 to 115,045 tons in 1855. As Dr. David A. Wells says of the period:

> During the single year 1849-50 we increased our ocean steam tonnage 113 per cent., and the seagoing qualities and performances of our vessels were so admirable that the Cunard Company, which had then been

in operation ten years, was obliged to bring out new ships to compete with them. The prospect, therefore, at one time was that the United States, although late in the start in this new department of foreign shipping, would soon equal, if not overtake, her great commercial competitor.

It was an era also of immense expansion in the sail shipping of America, due to a succession of extraordinary causes—the famine of 1847 in Ireland and an abnormal demand for foodstuffs in Europe, the gold rush of 1849 to California and the Crimean War of 1854-1856. The famous American clippers, built particularly for the California and China trade, belonged to this era, when in 1855 no less than 583,450 tons of shipping, including 381 ships and barks, were launched from American yards.

Losing Our Ships Before the War

In that year, 1855, the American merchant marine in overseas commerce reached its climax. There set in immediately a sharp and startling decline—six years before the Civil War. Though the tonnage nominally registered for foreign carrying did not immediately show a decrease, shipbuilding fell off from 583,450 tons in 1855 to 156,602 tons in 1859, and rallied only to 214,797 tons in 1860. This heavy shrinkage in the product of the shipyards indicated that six years before the first shot was fired at Fort Sumter, grave discouragement and disaster had befallen our merchant marine. This historic fact is exceedingly important to remember, because it has so often been asserted that the loss of our ocean shipping began with and was wholly due to the great war between North and South. The records of shipbuilding afford conclusive proof that the decline had set in long beforehand.

The causes of this decline were in part economic, but in much larger part political. It has often been alleged or assumed that the change from sail to steam and from wood to iron gave Great Britain, our old and formidable rival, an overwhelming advantage over the United States. But the United States in 1855 had long been building steamships for coastwise navigation; some of these were iron ships, and American-made iron was declared by architects and engineers to be the very best for maritime construction. There were iron shipbuilding plants at New York and Philadelphia and, before 1860, at Boston. It was a period of low tariff for revenue only, and the high customs and internal revenue taxation of the Civil War, that undoubtedly for a time did burden the shipbuilding industry, had not come into exist-

ence. Americans were naturally as adept at iron working and at boiler and engine building as their British kinsmen—a fact soon to be demonstrated to all the world by the great armorclad fleet of the federal navy.

Great Britain, in 1855, was manufacturing more iron than the United States, and to a certain degree the transition, from a material of which the United Kingdom produced almost none at all to a material which it possessed in particular abundance, was a benefit to British yards, but it was by no means a conclusive factor. There was enough iron of admirable quality in America for the construction of great fleets of ships. For the main cause of the decline of our ocean shipping from its climax of 1855 to the outbreak of the Civil War it is necessary to look in quite a different direction.

Americans Ahead in Steamships

Rivalry between American and British ocean steamship lines on the North Atlantic from 1850 to 1855 had demonstrated that the Yankees were as skilful in engineering as they had long been in seamanship. Captain McKinnon, of the British navy, after voyages of observation in both the Collins and Cunard liners, reported to his government that "there are no ocean steamers in England comparable with the (American) Baltic."

But there was one serious weakness in the situation. All of the new American ocean steamers were built in the North, owned and manned by Northern men, and registered at Northern seaports. The sectional slavery feud between the states was growing more and more bitter every day, and Southern men were in control in Washington. These ocean steamships, maintained by subsidy from the national treasury against their equally subsidized British rivals, were a formidable addition to the commercial and naval power of the North. For the same reasons why the strengthening of the federal navy was suspended, the mail subsidies were taken away from the great, successful American ocean steamship services in the very crisis of their contest with their British competitors.

Our Shipping the Victim of Sectional Attack

This was done, after a memorable struggle, in 1856 and 1858, under the direction of several distinguished Southern men, Jefferson Davis, of Mississippi, afterward President of the Confeder-

acy; R. M. T. Hunter, of Virginia, afterward Confederate Secretary of State; S. R. Mallory, of Florida, Confederate Secretary of the Navy; Robert Toombs, of Georgia, a leading member of the Confederate Congress and Secretary of State; Judah P. Benjamin, of Louisiana, Confederate Attorney General, and J. M. Mason, of Virginia, well remembered with Mr. Slidell as Confederate envoy to Europe.

These able and eminent southern statesmen doubtless believed that they were serving vital interests of their own people, but not all of their own section coincided in their action. Though they received some help from agricultural states of the West and Southwest, Senator Bayard, of Delaware, eloquently protested against the abandonment of American steamship enterprise as a surrender to the British government, and the action of Congress in withdrawing the subsidies was generally condemned by men of all parties in the North as blindly sectional and disastrous.

How British Subsidies Won

Disastrous, indeed, it quickly proved. When, in 1856, the southern lawmakers reduced the Collins mail pay from $858,000 to $385,000—the British Cunard ships were then receiving $856,000—the managers of the chief American line to Europe refused to give up the fight, and struggled on for a time. But the odds were hopeless, and they were forced to quit the field. Their largest ship, the splendid Adriatic, was sold to a new British subsidized line from Galway and held the Atlantic record under the British flag. One by one the other American Atlantic lines succumbed, and when Commodore Vanderbilt, with all his wealth and genius, attempted to compete with the British subsidized lines, he was unable to withstand the treasury of the British government. When the Civil War opened in 1861, only occasional American steamships were running to Europe. British subsidies had won the fight.

The Collins Company had lost two steamships by wreck, and its failure is sometimes attributed to this misfortune. But many more ships were lost by the British Atlantic lines. The Royal Mail had seven steamers destroyed in quick succession. But the British government, instead of abandoning the Royal Mail, stood by it more resolutely than before, and enabled it to build new ships and maintain its service.

Perhaps the greatest New York merchant and ship-owner of

this time was A. A. Low, Esq., the distinguished father of Hon. Seth Low, formerly Mayor of New York and President of Columbia University, and now President of the New York Chamber of Commerce. The elder Low, in a formal statement to Congress, speaking as an eye witness thoroughly familiar with the facts, declared:

> I only know the English have always, in peace and war, manifested a determination to hold the supremacy on the ocean, and the supremacy which they acquired by arms in war they have in peace acquired by subsidies. They have deliberately and intentionally driven the Americans from the ocean by paying subsidies which they knew our Congress would not pay. . . . They have driven us from the ocean by that policy just as effectually as they ever did drive an enemy from the ocean by their guns.

Great Britain, in 1860-1861, was expending $4,537,223 in the encouragement of steamship building and mail communication with all parts of the world. France, following the British example, in 1858 offered subsidies of $620,000 a year for a line from Havre to New York, $940,000 for a service to Brazil and $1,300,000 for a service to the West Indies and Mexico. Germany, at about the same time, began to subsidize the North German Lloyd on the routes from which the swift American ships had disappeared. The slavery feud had killed the American merchant marine in trans-Atlantic commerce.

Effects of the Civil War

After the destruction of our trans-Atlantic mail lines came the Civil War. Anglo-Confederate cruisers between 1861 and 1865 burned or sank 110,000 tons of American shipping, and drove 751,595 tons under foreign colors—nearly one-third of our whole fleet registered for overseas carrying. This ocean trade fleet, which had amounted to 2,496,894 tons in 1861, controlling 65.2 per cent of our imports and exports, had shrunk to 1,387,756 tons in 1866, controlling only 32.2 per cent of our imports and exports.

For a while after the war our ocean shipping actually increased. Ship-owners and builders would not surrender without another effort. Our registered tonnage in 1867 reached 1,515,648 and remained at or near the same figures for a decade thereafter —the total registered tonnage in 1878 was 1,589,348. But in this same period the proportion of our imports and exports carried in American vessels had steadily decreased from 33.9 to 26.3 per

cent, and after 1878 both total tonnage and proportionate carrying fell together, reaching a tonnage minimum of 726,213 in 1898, and a proportionate carrying minimum of 8.2 per cent in 1901. From 1898 onward there has been a gradual, though not constant, increase in our registered tonnage to the 1,066,288 tons of 1914. But this increase is more apparent than real, for it includes a considerable fleet of vessels employed in the long voyage coast trades like that via the Panama Canal. These vessels and others passing near or by foreign ports sail under register instead of enrollment, for purposes of safety and convenience. There was virtually no real increase, up to the opening of the present European war, in the proportion of our imports and exports carried under the American flag. From 8.2 per cent in 1901 this rose to 12.1 in 1905, but fell again to 8.6 per cent in 1914. The development of American ocean shipping when this great war started was substantially where it had been sixteen years before.

The Ocean Mail Law of 1891

From 1865 to the present time, Congress has refused to adopt any vigorous and comprehensive measure for the relief of American shipping in overseas commerce, though a cautious, and as it proved inadequate, mail subsidy system was established in the Ocean Mail Act of March 3, 1891. As passed by the Senate this provided both subsidies for postal lines and bounties for cargo vessels, but the bounty feature was rejected and the proposed mail rates were heavily reduced by Middle Western insistence in the House of Representatives. The legislation was so crippled that its authors despaired of any definite results, but even with its lowered compensation the Act of 1891 has proved to be of substantial value to the American merchant marine.

It was this legislation which made it possible for the International Navigation Company to undertake in 1895-1896 a weekly service in American steamships from New York to England and France, the New York and Philadelphia being specially admitted to American registry for this purpose, while the St. Louis and St. Paul were built in the Cramp shipyard in Philadelphia. These four swift ships were of great value as auxiliary cruisers in the Spanish War. Though the company controlling these steamers has several times signified its willingness to build new ships equal to the best on the Atlantic if the United States government would enter into an agreement equivalent to that of Great Britain with

the Cunard Company, no action has been had, but the weekly mail service to Europe is maintained with great regularity by the existing steamers, and this has been of much advantage to our government and our merchants throughout the present war.

The Ocean Mail Act of 1891 maintains also the Ward line of American steamers from New York to Cuba and Mexico, the Red D line from New York to Venezuela and the Oceanic line from San Francisco to Australasia. Total expenditures under this act in the fiscal year 1914 were $1,089,361, of which $673,998 was received by the American trans-Atlantic service. Every great maritime nation spends much more for mail subsidies than our own—even Canada two or three times as much annually.

The Merchant Marine Commission of 1904-1905

Congress, in 1904, authorized a Merchant Marine Commission of five senators and five representatives, of which Senator Gallinger, of New Hampshire, was chairman, to make a new and thorough investigation of the ocean shipping question. This commission published its report in 1904-1905, recommending national encouragement to regular steamship services to the West Indies, South America, South Africa, Australasia and the Orient, and the granting of tonnage subsidies to cargo vessels. A bill carrying these provisions passed the Senate, but the subsidy to cargo ships was eliminated in the House and the mail subsidy measure which the House passed was defeated by a filibuster in the Senate, conducted by two Senators who were retiring to private life. The Senate subsequently passed the ocean mail bill, but it was twice defeated in the House, though by the narrowest of majorities.

In the Congressional contests over the measures recommended by the Merchant Marine Commission, most of the opposition came from the South and Middle West—thus repeating the experience which had destroyed the American steamship services on the North Atlantic before the Civil War. But from both South and West there appeared also strong advocacy of a forward policy by individual senators and representatives, and the ocean mail bills were actually defeated in the House by the defection of a group of Middle Western Republicans who, though strong partisans of tariff protection for the agricultural interests of their states and section, were unwilling that national encouragement of any kind should be extended to the ocean shipping

industry of the Atlantic and Pacific seaboards. Another influence was the hostility of certain powerful European steamship corporations which had become strongly entrenched in American ocean carrying. From their headquarters in Europe and New York these foreign steamship organizations sent out earnest arguments against the subsidizing of American steamship services, and these appeals undoubtedly counted for a great deal with some public men and people of European birth or immediate descent in this country, to whom they were particularly addressed.

A Free Ship Experiment

As a part of the Panama Canal Act of August 24, 1912, Congress changed the traditional policy of the United States by offering free registry for the overseas trade to American-owned, foreign-built vessels not more than five years old. This "free ship" experiment proved absolutely fruitless up to the outbreak of the war in Europe—not one foreign-built ship was at any time registered under its provisions. The reason assigned was the higher cost of operation that would have to be assumed under American laws and colors.

As an emergency measure Congress, on August 18, 1914, passed an act amending the previous act so that there could be admitted to American registry for purposes of foreign commerce American-owned, foreign-built vessels without regard to age. At the same time the President was authorized to suspend the requirement of law that the officers of these foreign-built ships should be American citizens, and to exempt the ships in question from compliance with our inspection and measurement laws and regulations.

A considerable movement of American owners of foreign-built ships to naturalize their vessels under the new law quickly followed. The United Fruit Company, the Standard Oil Company and the United States Steel Corporation were the principal factors to take advantage of the new legislation. Most of the foreign-built ships added to the American overseas fleet under the new policy were American-owned before the war began. There have not been many new purchases of foreign-built ships, and a very large proportion of vessels controlled by American capital, notably in the regular trans-Atlantic trade, still remain under foreign colors. The total number of ships naturalized under the Act of August 18, 1914, is 171 of a total tonnage of 583,733. Most of these were brought in in the early part of the

war. Only three vessels, one of them a small yacht, were granted registry in the entire month of September, 1915, and only three more were admitted up to December 18, 1915.

Foreign Crews Demand American Wages

It has been discovered in actual experience that the suspension of the navigation laws by the President, so that the foreign-built ships admitted to American registry can come in with their foreign officers and remain exempt from our inspection and measurement laws and rules, has not prevented these foreign officers and their foreign crews from demanding the wage scale and food scale of Americans. The result has been an immediate and large increase in the cost of manning and maintenance, so that in these regards the naturalized ships are on the same basis compared with foreign-registered ships as are American ships of native construction. For example, W. R. Grace & Company find that wages and food of a steamship under the American flag amount to $2,773 a month as compared with $1,991 under the British flag. "On British steamers which we recently transferred to the American flag," says this firm, "the foreign crews struck for American wages the day of transfer and received them."

The United States Steel Products Company, which handles the export trade of the United States Steel Corporation, has nine steamers transferred from British to American registry. The 373 members of these nine crews under British registry received in wages $12,478 a month. The 393 members of these nine crews under American registry receive $17,537 a month—an increase of 40.54 per cent, and in addition there has been an increase of 19 per cent in the cost of food.

The steamship Brindilla, of the Standard Oil Company, has a total wage bill under the American flag of $1,765 a month, as compared with $936.10 a month when this same ship was the German steamer Washington.

These great corporations have precise systems of record, and so these comparative figures are available and trustworthy, but theirs has doubtless been the experience of all owners of foreign-built steamships who have secured American registry. The great war has introduced new complications. Because of war risks wages of seamen have risen under foreign flags, but there is every reason to believe that when the war has ended the normal difference in wages between American and foreign ships will be

substantially what it was before the war began. This difference on typical cargo carrying ships was as follows:

Comparative Wages, 1914, on American and British Cargo Steamers of a Capacity of About 5,000 Tons

	American Wages per month	British Wages per month
Master	$175	$100.00
First officer	90	63.18
Second officer	70	43.74
Third officer	60	....
Carpenter	40	31.59
Boatswain	35	29.16
Quartermasters (2)	35	....
Sailors (5)	30	(9) 24.30
Chief engineer	150	97.20
First assistant engineer	100	68.04
Second assistant engineer	90	48.60
Third assistant engineer	80	....
Oilers (3)	40	....
Donkey men (2)	40	(1) 31.59
Firemen (4)	35	(6) 29.16
Coal passers (2)	30	....
Steward	60	38.88
Cook	45	34.02
Mess man	20	15.00
Cabin boy	20	....
Total American crew, 32 men.		Total British crew, 27 men.
Total American payroll per month	$1,655	Total British payroll per month $994.66

What Should Now Be Done?

Assuming that the free registry law of August 18, 1914, has the effect of equalizing the first cost of ships—for American ship-owners can now go to Europe or Japan for vessels for overseas commerce if such ships can be procured there at a lower price than from American yards—there manifestly still remains, in spite of the suspension of our navigation laws, a wide difference in wages and maintenance. Of the two factors in the problem the construction cost has been equalized, but not the cost of operation. This is still as heavily against our flag as ever—and this is now a matter of demonstrated fact—it has been wholly removed from the field of dispute and speculation.

How is this factor of the higher cost of operation to be met?

The Special Committee on Merchant Marine of the Boston Chamber of Commerce, in a report presented June 7, 1915, and subsequently approved by the directors of the Chamber, recom-

mended that carefully guarded subsidies be granted by the government, sufficient to offset the difference in cost of operation between American and foreign vessels, with the condition that all vessels receiving subsidies should be so constructed as to render efficient service as transports, fuel ships, supply ships, ammunition ships, etc., in case of war, and be held subject to the call of the government.

This plan would equalize conditions so far as typical cargo vessels are concerned. But all maritime nations assist regular steamship services carrying mail, freight and passengers on fixed schedules at more than ordinary speed, by means of mail or naval subsidies, amounting in the aggregate to not much less than $50,000,000 a year. It is obvious that such regular line steamship services under the American flag would require special additional encouragement, and for this purpose the committee, in its report, recommended an amendment suitably increasing the rates of compensation offered under the Ocean Mail law of 1891.

The committee also opposed the proposal of government ownership and operation of commercial steamships, for reasons stated in a separate report, and approved the creation of a federal shipping board, after the example of the British Board of Trade, and a revision of our navigation laws and regulations, so far as they unnecessarily increase the cost of operation of American as against foreign vessels. Such a revision is an essential part of any movement for the revival of American ocean shipping, but, as has already been demonstrated by experience under the free registry act of August 18, 1914, a revision or a suspension of the laws and regulations will not of itself equalize the cost of manning and maintaining American and foreign vessels.

Shipbuilding All-Important

At present, because of the great European War, its abnormal effect upon wages and materials and the absorption of foreign shipyards in naval repair and construction, the first cost of commercial steamships is believed to have risen in Europe to or near a parity with the cost in the United States. American ocean shipyards are now fully employed upon new tonnage, nearly all of it designed primarily for coastwise commerce, but a large part of it of a type adaptable also to overseas carrying, if conditions in that trade can be properly equalized. This is a fortunate circumstance for the country. Full employment will greatly assist American ocean yards to extend their experience, standardize

their output and reduce their costs, and the price of commercial steamers of American construction should be very much nearer the foreign price after the war has ended than it ever has been before. It should be understood that steel plates and shapes for shipbuilding are normally obtainable at as low a cost in the United States as in Europe.

The importance of judicious encouragement of the art of ocean shipbuilding cannot well be overestimated, both because of the imperative need of well-equipped shipyards in the problem of national defence, and because history affords no example of a nation permanently great in ship-owning and navigation which depended for the construction of its ships upon its rivals in trade and possible enemies in war. It is still eminently true in principle, as Thomas Jefferson declared more than a century ago, that "For a navigating people to purchase its marine afloat would be a strange speculation. . . . Placing, as a reserve, with a foreign nation or in a foreign shipyard, the carpenters, blacksmiths, calkers, sailmakers and the vessels of a nation, would be a singular commercial combination. We must, therefore, build them for ourselves."

American Marine Insurance

One essential of complete success in American shipbuilding and navigation is a thoroughly American inspection, survey and classification service, capable of performing for the United States a work which Lloyd's has long rendered for the British Empire. For many years American shipowners and merchants even in the coast and lake trade have been largely dependent for marine insurance upon foreign corporations. To realize the full benefits of an independent American shipping industry, it must be possible to effect adequate insurance in companies domiciled in the United States, preference being given by our shipowners and merchants to insurance in American companies, and to this end a strong classification society must be at once established, so that American insurance interests can undertake marine risks with all proper safeguards and necessary information. There is abundant capital in this country, and abundant technical and administrative skill, and they should be brought into effective cooperation. There should be resources in American companies sufficient to provide at least $1,000,000 of insurance on any single hull, to handle the marine business now offering, which is about three times the amount of insurance at present available.

Every important nation which has developed a merchant marine of its own has appreciated the need of creating at the same time a classification and insurance system of its own, instinctively recognizing the unwisdom of depending for such an indispensable service upon the resources of foreign competitors. It is earnestly believed by many American shipowners that the decline of our own mercantile marine was hastened by certain arbitrary discriminations of powerful marine insurance authorities of Europe, and it is the manifest course of prudence to make such discriminations impossible hereafter by providing requisite American standards of construction properly adapted to meet the particular needs of the widely varying types of ships required for American domestic and foreign commerce. Private capital and enterprise can best supply this need, with due recognition in the laws and regulations of the government.

A Fleet Essential for Commerce and Defence

The merchant marine—the building and operation of overseas commercial carriers—is, or should be, a great national industry, as deserving as any other great industry of the friendly interest of the American people and the intelligent consideration of their government. Just as every adequate department store, for its own self-protection, insists upon its own delivery service, so every mercantile nation demands a suitable fleet of its own ships. Great Britain fought fierce wars with Holland and France primarily to secure its own sea trade. The new German Empire, when under Bismarck it first began to look abroad for markets, refused to depend upon British ships, but sought at once the creation of a German merchant navy. France would not rely upon the fleet of either Germany or Britain, but has laboriously wrought its own merchant marine, and Japan, the latest of commercial powers, secured its ships first and its trade afterward. Not one commercial nation—save the United States—has ever been willing to trust its overseas delivery service to its eager and aggressive competitors—the instinct of self-preservation imperatively forbids.

If the United States had possessed, as it should normally have possessed, 10,000,000 or 15,000,000 tons of overseas shipping in August, 1914, at the outbreak of the present European War, its ocean delivery service could not have been broken down by the wholesale diversion of foreign ships whose first duty was owed to foreign governments. Reduced or disrupted steamship

services and abnormally increased freight rates have cost the American people uncounted millions of dollars since the war began and as agriculture still supplies the major bulk if not the major value of our exports, the heaviest loss has fallen upon the cotton-growing South and grain-growing West, many of whose public men have historically been most blind and indifferent to the need of a merchant fleet that would serve "America first."

If an adequate merchant shipping is important to our commercial security it is absolutely indispensable to our military and naval defence. In the event of war between the United States and a foreign enemy our government would instantly require hundreds of auxiliary vessels, scouts, transports, mine layers, fuel ships, ammunition ships, supply ships, hospital ships—which could be provided only from the merchant service. Many of these can be procured from the coastwise fleet but not enough, for a large part of this domestic tonnage is not adapted to open-ocean voyaging. The country has not yet forgotten the humiliation of seeing its proud battleship fleet escorted around the world by a motley crowd of British, Dutch and Italian colliers, because no American vessels were to be had. That was in time of peace, but the lack of such auxiliary ships and especially of loyal American officers and men in war might fatally cripple our fighting force and bring appalling disaster to the nation. A strong mercantile marine is one of the great essential elements of American "preparedness."

Merchant Tonnage of Principal Nations as Recorded in Lloyd's Register for 1895 and also for 1915

	1895 Tons	1915 Tons
Great Britain	13,242,639	21,045,049
United States	2,164,753	[1] 5,368,194
Austria	304,970	1,055,719
Denmark	356,714	820,181
Holland	446,861	1,496,455
France	1,094,752	2,319,438
Germany	1,886,812	5,459,296
Italy	778,941	1,668,296
Japan	301,101	1,708,386
Norway	1,659,012	2,504,722
Russia	487,681	1,053,818
Spain	554,238	898,823
Sweden	497,877	1,118,086

[1] Of this, 2,970,284 tons were on the sea and the remainder on Northern lakes and rivers.

*American Tonnage and Proportionate Carrying in Foreign Trade of United States, 1789-1914**

Year Ended Dec. 31	Tonnage Registered for Foreign Trade Tons	Proportion of Exports & Imports Carried in American Vessels Per Cent	Year Ended Dec. 31	Tonnage Registered for Foreign Trade Tons	Proportion of Exports & Imports Carried in American Vessels Per Cent
1789	123,893	23.0	1830	537,563	89.9
1790	346,254	40.5	1831	538,136	86.5
1791	363,110	55.9	1832	614,121	83.1
1792	411,438	64.0	1833	648,869	83.8
1793	367,734	79.5	1834	749,378	83.0
1794	438,863	88.5	Sept. 30, 1835 (9 mos.)	788,173	84.5
1795	529,471	90.0			
1796	576,733	92.0	1836	753,094	84.3
1797	597,777	90.0	1837	683,205	82.6
1798	603,376	89.0	1838	702,962	84.2
1799	657,142	88.5	1839	702,400	84.3
1800	667,107	89.0	1840	762,838	82.9
1801	630,558	89.0	1841	788,398	83.3
1802	557,760	86.5	1842	832,746	82.3
1803	585,910	84.5	June 30, 1843 (9 mos.)	856,930	77.1
1804	660,514	88.5			
1805	744,224	91.0	1844	900,471	78.6
1806	798,507	91.0	1845	904,476	81.7
1807	840,163	92.0	1846	943,307	81.7
1808	765,252	90.5	1847	1,047,454	70.9
1809	906,855	86.0	1848	1,168,707	77.4
1810	981,019	91.5	1849	1,258,756	75.2
1811	763,607	88.0	1850	1,439,694	72.5
1812	758,636	82.5	1851	1,544,663	72.7
1813	672,700	68.0	1852	1,705,650	70.5
1814	674,633	54.5	1853	1,910,471	69.5
1815	824,295	74.0	1854	2,151,918	70.5
1816	800,760	70.5	1855	2,348,358	75.6
1817	804,851	76.5	1856	2,302,190	75.2
1818	589,944	82.5	1857	2,268,196	70.5
1819	581,230	84.5	1858	2,301,148	73.7
1820	583,657	89.5	1859	2,321,674	66.9
1821	593,825	88.7	1860	2,379,396	66.5
1822	582,701	88.4	1861	2,496,894	65.2
1823	600,003	89.9	1862	2,173,537	50.0
1824	636,807	91.2	1863	1,926,886	41.4
1825	665,409	92.3	1864	1,486,749	27.5
1826	696,221	92.5	1865	1,518,350	27.7
1827	701,517	90.9	1866	1,387,756	32.2
1828	757,998	88.9	1867	1,515,648	33.9
1829	592,859	89.5	1868	1,487,246	35.1

* Figures taken from the report of the Bureau of Navigation and Bureau of Foreign and Domestic Commerce of Department of Commerce.

9 months Ended June 30	Tonnage Registered for Foreign Trade Tons	Proportion of Exports & Imports Carried in American Vessels Per Cent	9 months Ended June 30	Tonnage Registered for Foreign Trade Tons	Proportion of Imports & Exports Carried in American Vessels Per Cent
1869	1,496,220	33.1	1893	883,199	12.2
1870	1,448,846	35.6	(1 year)		
1871	1,363,652	31.9	1894	899,698	13.3
1872	1,359,040	29.2	1895	822,347	11.7
1873	1,378,533	26.4	1896	829,833	12.0
1874	1,389,815	27.2	1897	792,870	11.0
1875	1,515,598	26.1	1898	726,213	9.3
1876	1,553,705	27.7	1899	837,229	8.9
1877	1,570,600	26.9	1900	816,795	9.3
1878	1,589,348	26.3	1901	879,595	8.2
1879	1,451,506	23.0	1902	873,235	8.8
1880	1,314,402	17.4	1903	879,264	9.1
1881	1,297,035	16.5	1904	888,628	10.3
1882	1,259,492	15.8	1905	943,750	12.1
1883	1,269,681	16.0	1906	928,466	12.0
1884	1,276,972	17.2	1907	861,466	10.6
1885	1,262,814	15.3	1908	930,413	9.8
1886	1,088,041	15.5	1909	878,523	9.5
1887	989,412	14.3	1910	782,517	8.7
1888	919,302	14.0	1911	863,495	8.7
1889	999,619	14.3	1912	923,225	9.4
1890	928,062	12.9	1913	1,019,165	8.9
1891	988,719	12.5	1914	1,066,288	8.6
1892	977,624	12.3			

Summary of Foreign Subsidies, Mail Pay, Bounties, Etc.

(From Report of the United States Commissioner of Navigation, 1909, pages 20-21.)

Great Britain and Colonies	$ 9,689,384
France	13,423,737
Japan	5,413,700
Italy	3,872,917
Spain	3,150,012
Austria-Hungary	2,984,530
Germany	2,301,029
Russia	1,878,328
Norway	1,102,143
Netherlands	880,011
Sweden	277,752
Denmark	145,000
Belgium	55,970
Portugal	50,000
Total	$45,224,513

Outside of Europe and Japan, subsidies and mail payments have been reported for 1908 by the Bureau of Navigation as follows: Chile, $253,195; Mexico, $75,000; Egypt, $54,512; Brazil, $1,300,000; in all, $1,682,707, making, with the above, a total of $46,907,220.

(In the fiscal year 1914, the United States paid in subsidy to American steamers under contract the sum of $1,089,361.83, and the report of the Post Office Department states that "The net cost of the service performed was $55,155.51 less than it would have been if the steamers performing it had not been under contract and had conveyed the same mails and received pay on a weight basis.")

The figures above are the latest official enumeration by the United States of foreign steamship subsidies, bounties, etc. These subsidies and bounties have been somewhat increased since 1909 in most of the countries mentioned, together with a corresponding increase in their merchant shipping tonnage.

(Germany, in addition to subsidies, grants preferential rates on her State railroads on cargoes to be carried in German ships.)

SUMMARY OF PERTINENT DATA[1]

In a summary way statistical information and other data upon some subjects are here given that they may be conveniently accessible for reference. In obtaining figures which will remain accurately significant under constantly changing conditions of foreign trade there is great difficulty.

History of American Registry

Promotion of American construction and ownership of merchant vessels was the object of the earliest statutes (in 1789 and 1792) in defining vessels which might have American registry. For registry two things were required—construction in the United States and ownership by American citizens. In order to enforce American registry of American-owned vessels penalties were provided for any vessel owned by an American but not admitted to American registry if it entered a port of the United States.

[1] Chamber of Commerce of the United States of America. Referendum No. 9. May 8, 1915. p. 20-7.

In consequence of wars among European countries American vessels between 1792 and 1803 became to a considerable extent the carriers for the world's commerce. The tonnage of American vessels engaged in foreign trade gradually increased until in 1861 it reached 2,642,000. From this maximum it declined, falling to 737,000 in 1898. In 1910 this tonnage was 791,000, and on June 30, 1914, it was 1,066,000, valued at about $69,000,000. The total investment of American citizens in vessels—coastwise, on the Great Lakes, and in foreign trades—is about $600,000,000. The tonnage in the foreign trade was in 1914 composed of 720,000 tons in steam vessels, 223,000 tons in sailing vessels, and 121,000 tons in barges.

On April 17, 1915, the code list contained the names of 230 steel American steamers, propelled by screws, of over 2,000 tons each, built since 1900 in the United States, and mostly engaged in coastwise trade. In addition there were 63 such steamers built in foreign countries since 1900, and admitted to American registry under the law of August 18, 1914.

In connection with the decrease at the time of the Civil War in the proportion of foreign trade carried by American vessels it may be recalled that 110,000 tons of American vessels were destroyed by cruisers built in England, and so many other vessels sought registry under foreign flags that it has been estimated the total loss in the American marine because of the war was over 1,000,000 tons.

While American tonnage engaged in foreign trade declined, the number and capacity of vessels in the coastwise trade, reserved exclusively for American vessels, increased, as follows (with fishing vessels included):

	Gross tons
1800	301,000
1840	1,280,000
1880	2,715,000
1890	3,477,000
1900	4,338,000
1910	6,716,000

These figures include both steamers and sailing vessels, but exclude vessels on the Great Lakes.

Lloyd's Register for 1914-1915 gives the steam tonnage (of vessels over 100 tons) for the world as 45,403,000 gross, with the tonnage for important countries as follows:

British (United Kingdom and Colonies.)	20,523,000
German	5,134,000
American (Excluding vessels on Great Lakes but including coastwise vessels.)	2,026,000
Norwegian	1,957,000
French	1,922,000
Japanese	1,708,000
Dutch	1,471,000
Italian	1,430,000
Austro-Hungarian	1,052,000
Swedish	1,015,000

In December, 1914, it was estimated that through being interned or commandeered for military purposes, 5,803,000 gross tons of the world's merchant vessels had been withdrawn from commercial use. At the beginning of the Boer war, 1899, there was a similar withdrawal of merchant vessels from commercial use, and disturbance of international trade. At that time England commandeered 250 steamers, of approximately 1,000,000 tons, for the most part taking them from the North Atlantic. Freight rates are said to have been increased by 30 per cent at that time, and exports from the United States of grain and other foodstuffs, cattle, etc., decreased.

During the year ended last June, twenty-nine new American steel steamers, of 1,000 tons or more, were placed in commission on the seaboard after being constructed in the United States. They had an aggregate tonnage of 133,000. These vessels very largely entered the coastwise trade. On July 1 there were in course of construction on the seaboard 24 steamers of a tonnage of 104,000. Between July 1, 1914, and March 31, 1915, the tonnage of steel steamers completed on the seaboard was 86,000, or 22,000 tons less than in the corresponding period of the year before. The private shipyards of the United States on the seaboard, if devoted wholly to construction of merchant vessels, could accommodate at least 200,000 tons.

In 1826, when goods carried in the foreign trade of the United States—imports and exports—were valued at $162,000,000, 92.5 per cent were borne in American vessels. Year by year this proportion fell until, in 1862, when the value of goods carried in the foreign trade was $435,000,000, only 50 per cent were transported in American vessels. Even this percentage was never regained, since the proportion carried in American vessels continuously fell.

In the year ended on June 30, 1914, when the value of American exports and imports, by land and sea, was $4,258,000,000 the percentage borne in American vessels had reached its lowest point, 8.6 per cent.

In February, 1915, the tonnage of steam vessels in foreign trade entering American ports was 2,666,000 (2,872,000 tons in February, 1914), and the steam tonnage cleared was 2,858,000 (2,738,000 tons in February, 1914). The sailing tonnage cleared was 123,000 (107,000 in February, 1914).

American vessels in February, 1915, carried exports valued at $30,842,000 ($11,352,000 in February, 1914) and foreign vessels carried exports valued at $237,807,000 ($139,000,000 in February, 1914). Thus, of exports by water in February, 1915, American vessels carried 11.5 per cent (7.5 per cent in February, 1914). Of the imports in February, 1915, American vessels carried $21,035,000 ($16,142,000 in February, 1914) and foreign vessels carried $91,853,000 ($120,347,000 in February, 1914). Thus of imports by water American vessels in February, 1915, carried over 18 per cent (under 12 per cent in February, 1914).

The proportions of the sea-borne foreign trade of the United States carried by the merchant vessels of the principal maritime countries are indicated below, both for the year ended with June, 1914, and for the six months following, five of which fell within the period of the European war.

	1913-14	July-December, 1914
American	9.26	14.09
British	53.45	52.54
German	13.79	3.06
French	4.64	4.64
Dutch	4.10	5.90
Norwegian	3.49	6.03
Japanese	2.14	2.65
Italian	1.94	3.10
Austrian	1.57	.23
Belgian	1.27	.47

Payments made to citizens of foreign countries on the part of Americans whose goods are carried in the foreign trade of the United States by vessels under foreign flags have been estimated to aggregate between $200,000,000 and $300,000,000 a year. There have been further payments on account of insurance written by foreign companies.

Discriminating Duties

Until 1915 the United States, to aid American vessels, imposed a discriminating duty of 10 per cent upon goods imported in vessels of other countries—a system which was impaired in the treaty with England which followed the war of 1812. In 1913 Congress attempted to return to the use of discriminating duties, by giving to merchandise imported in American vessels a reduction of 5 per cent of the regular duties. In order to meet the situation caused by treaties which had followed the first impairment of the policy of discriminating duties, the tariff law of 1913 was made to contain such phraseology that, upon the authority of an opinion by the Attorney General that the several parts of the law were conflicting and the whole result nugatory, the Secretary of the Treasury has refused to grant a rebate upon any goods imported in American vessels. The attitude of the Secretary has been contested, and the whole question is now before the Court of Customs Appeals, from the decision of which an appeal will probably be taken to the Supreme Court.

Ocean Mails

In 1845 the United States passed its first law for ocean-mail subventions, in an endeavor to meet the subsidies England had in 1835 granted for the first time to a British line across the North Atlantic. This ocean-mail act of the United States ceased its effect in a few years, through a veto of the President. In 1891 Congress again enacted legislation for mail subventions—the present ocean-mail law. Under this law, at the time of the Spanish-American War several vessels built in the United States became available as naval auxiliaries. Ten steamships have, it seems, been built to take advantage of the law of 1891. In 1895 the American transatlantic mail line was equal to any foreign service.

In 1872, however, Congress had already discriminated on behalf of American vessels in giving compensation for carrying mails by sea, by providing that American vessels should receive both the inland and the sea postage for the mail they carry, while foreign vessels in like case should receive only the sea postage. This statute is still in force, and affords the basis on which vessels are compensated for carrying mails according to the actual weight transported. The apparent intent of the law is that American vessels should receive an equivalent of all the postage

on the mail they carry. As there is an average of 44 letters to a pound, with three of them taking excess postage, the government in fact now receives about $2.20 a pound as total postage for letters destined to countries with which the United States has the five-cent rate and could pay compensation to American steamers at this rate. But computing that the postage rate is five cents an ounce, the Post Office Department actually pays American steamers as compensation for mails they carry only 80 cents a pound. Foreign steamers are paid about 35 cents a pound (i. e., at the rates prescribed by the International Postal Union—4 francs per kilogram for letters), which is held by the Post Office Department to be equivalent to "sea postage."

In the year ended with June, 1914, the sum paid as mail subventions under the law of 1891 was $1,089,361. The services for which these subvention payments were made were:

Transatlantic Service (International Mercantile Marine)	$673,998
San Francisco to Sydney, Australia (Oceanic Line)	201,916
Philadelphia to Jamaica (American Mail Line)	18,269
New York to Cuba and Mexico (New York and Cuba Mail Line)	97,566
New York to Venezuela (Red "D" Line)	107,612

Routes on which compensation aggregating $314,000, under the law of 1872, was paid to American vessels, were as follows:

Transatlantic Service to Belgium (Red Star Line)	$ 758
Seattle to Hongkong via Japan (Great Northern Line)	8,870
San Francisco to Hongkong and Manila via Hawaii and Japan (Pacific Mail Line)	62,258
Inward voyage to San Francisco from Pago Pago (Oceanic Line)	1,106
San Francisco to Mexico, etc. (Pacific Mail Line)	7,220
New York to Santo Domingo and Turks Island (Clyde Line)	23,956
New York to Colon (Panama R. R. Steamship Co.)	198,394
New Orleans to Cuba and Mexico (Southern Pacific Line)	10,535
New York to Brazil (U. S. and Brazil Line)	1,450

In the year ended on June 30, 1914, the total compensation paid to foreign vessels for transporting mails of the United States was $1,433,000—divided as $1,113,000 for the transatlantic mails, $80,000 for transpacific mails, and $239,000 for mails on a variety of routes (including the routes to the east and the west coasts of South America, to the West Indies and Central America, and to Canadian ports).

The Post Office Department has pointed out that in the fiscal year of 1914 the net result of the mail-subvention law was that the payments by the United States by way of subventions were

in the aggregate less by $55,000 than if the mails carried by the steamers in question had been paid for at the regular rate of compensation. It is noticeable, however, that the compensation on some of the lines would have been very much less than the subvention payment.

Free Materials

As the change from wood to iron and steel for use in ship-building was an important element in causing construction of vessels abroad to be cheaper than in the United States—a condition which began to develop in the period immediately before the Civil War—Congress in 1871 initiated a policy of admitting free of duty materials for the construction of vessels in the United States. Various tariff laws gave this policy increased effect. The Tariff Act of 1909 admitted materials free of duty with a limitation that a vessel in which they were incorporated could not engage in the coastwise trade more than six months in a year. The Panama Canal Act in 1912 finally gave complete effect to the policy, by admitting material free of duty without any reservation, and the Tariff Act of 1913 continued the effect of the law of 1912.

Free Ships

Connected with the question of importation of ship-building materials free of duty has been the question of "free ships," i. e., admission of vessels to American registry even though they were constructed in foreign countries. In 1911 it was said that every nation except the United States had abandoned the requirement that only home-built vessels could be admitted to its register, with a consequence that citizens of other countries were free to have their vessels built wherever construction was cheapest. In this situation, officials estimated that American-owned vessels under foreign flags were nearly equal in tonnage to the American-registry vessels engaged in the foreign trade, and in carrying capacity were superior.

At the time the Panama Canal Act was passed, in 1912, the United States departed from the restriction it had enforced since 1792, by permitting foreign-built vessels not more than five years old to obtain American registry exclusively for foreign trade. Under this law no vessels were transferred to American registry. On August 18, 1914, when conditions of emergency were acute, the law was amended to admit foreign-built vessels regardless of

their age, and to authorize the President in the case of such vessels to suspend the operation of the law which necessitated employment of American officers, etc. Since this amendment in the law became effective, and the President made the suspensions in question, 142 vessels with aggregate gross tonnage of 500,705 had, on May 1, been transferred to American registry. These vessels are valued at $32,000,000.

Recent Proposals for New Legislation

Discussion of new legislation for the promotion of the American merchant marine has been active for years. Declarations in political platforms, Presidential messages, and bills reported from committee in Congress have been numerous. About 1900 it seemed probable that Congress would by subsidy or other means offer assistance, but in 1903 it became evident there would be no immediate legislation. In 1904 a Congressional Merchant Marine Commission was created. This commission held hearings throughout the country and in January, 1905, made its report, advocating the creation of a naval reserve for employment in war by paying annual bounties to men in the merchant marine who volunteered for this reserve, encouragement of ownership and operation of merchant freight vessels by paying an annual subvention of $5 per gross registered ton for every vessel, steam or sail, engaged for twelve months in the foreign trade, and encouragement of fast lines by enlargement of the number of services under the mail-subvention law of 1891. In 1907 and the years following, at least to 1911, bills were annually reported from committee, usually proposing extensions of the ocean-mail subvention law of 1891; none of these bills became law, however.

In 1912, under a resolution of the House, the Committee on the Merchant Marine and Fisheries began an investigation into steamship agreements and affiliations in the American foreign trade, concluding its proceedings in 1914 with a report in which it placed recommendations for supervisory control of steamship carriers. The proposals of the Committee were expressed in a bill (H. R. 17286, Sixty-Third Congress).

Government Aid in Other Countries

For each principal foreign country concerning which data is at hand the nature of aid extended to private lines of steamships may be summarized as follows:

Austria-Hungary has been making payments aggregating roughly $5,000,000 year, about three-fourths of which went to lines which carried mails. The services have been on the Danube, and to Dalmatia, Black Sea ports, the Far East, Africa, Brazil, etc.

Belgium has been making payments approximating $60,000 to German lines to East Asia, Australia, and South America in consideration of their stopping at Antwerp. In addition, the government under a law of 1907 lent $1,000,000 to three Belgian companies with lines to the Mediterranean, the Levant, and South America, taking the companies' debentures payable in twenty years with interest at 3 per cent.

Brazil apparently paid $1,500,000 in 1913 to the Lloyd Brasiliero by way of subvention for services which include a line to New York. To an Italian company subsidies are paid for a freight and passenger service from Italy.

The Canadian parliament voted subsidies and mail subventions amounting to $2,697,000 for the fiscal year ended with March, 1915. This amount was divided among 14 services on the Atlantic (to England, France, Australasia, West Indies, South America, South Africa, etc.), 6 services on the Pacific (principally to Australasia, Japan, and Hongkong), and 46 local services, which collectively receive, however, only about one-tenth of the total payments. The contracts between the government and the steamship lines provide that Canadian shippers are to be preferred in allotment of cargo space.

The French government's payments relate to construction (of hulls and machinery), operation, and carriage of the mails. In the summer of 1914 France was proposing to make some small increases in its total payments, raising them for the next year to $13,234,000 in all, divided as $3,474,000 for construction, $3,570,000 for operation and equipment, $106,000 for the Corsican service, $3,082,000 for services to the Far East, Australia, east coast of Africa, and the eastern Mediterranean, $941,000 for lines to the West Indies and Central America, and $621,000 for lines to Brazil and the River Plate.

England has used a system of mail contracts which, because of necessity for maintaining communication with oversea possessions, has political as well as immediately commercial purposes. The commercial advantage to the lines which have contracts has not prevented competing British lines without contracts from

succeeding. Some incidental payments have the effect of subsidy; for example, in 1912, when a new contract was made for the South African service, it was said that the yearly payment of $832,000 under the contract would be increased to $2,433,000 by reason of carriage of gold and ostrich feathers sent by registered mail and through transportation of government supplies, on which the freight rates were increased by the terms of the contract. In 1909 the Commissioner of Navigation, of the United States, estimated that on the principal ocean-mail contracts England and its possessions, which divide the payments, made a yearly outlay of $4,500,000 for services to India, China, Australia, South Africa, Canada, the United States, the West Indies, and South America. In 1909 England and its possessions (except Canada, for which figures are given above) were estimated to have spent between seven and eight million dollars in payments of all kinds in aid of merchant marine.

Concerning the German government's assistance to merchant vessels recent data is not at hand. In 1908, in response to an inquiry, the German Foreign Office presented to the American ambassador a note in which it stated that the government made no payments to steamships except in return for services. Between 1881 and 1907, however, the sum paid annually for transportation of the mails increased from $47,000 to $2,246,000. These mail payments were for services to Asia and Australasia, South Africa, South America, West Indies, the United States, etc. In commenting upon payments to German mail lines the German government in 1908 said that its reason for payments lay in the necessity of having at its disposal regular shipping connections for the public post, travel, and freight with certain lands across the sea, it being impossible for a private shipping company to start such lines without state funds, since they could not pay the cost of operation unaided.

The Italian government, as subventions for mail lines and as subsidies for construction and operation, spent $4,600,000 in 1912. The mail services were to North and East Africa, Egypt, the Levant, India, China, Java and Central America.

Japan in 1911 paid to Japanese steamers about $7,000,000, on account of construction, operation, and carriage of the mails. The services were to Europe, North America, South America, Australasia, East Indies, India, Chinese ports, Manchuria, Korea, and Siberia.

Russia has been making payments, $3,500,000 in 1912, for encouragement of the Russian marine, and small payments as bounties for ship-building, $50,000 in 1912. The basis of the payments in the larger sum is not wholly clear; the payments have been made, however, for services on the Mediterranean and the Caspian Seas, services to the Persian Gulf, to Arctic coasts, and to Behring sea and China from Vladivostock.

Spain enacted a law in 1909 for direct bounties to shipping, both coastwise and oversea, including payments for construction and operation of mail lines. The law provided for yearly payments of $530,000 for general navigation bounties, $386,000 for mail lines to Brazil, Argentina, Havana, New York, and the Adriatic and Black Seas, $1,856,000 for mail lines to the Philippines, Argentina, New York, Cuba, Mexico, and the Caribbean, and $375,000 for connections with the Canaries and Balearic Islands and Spanish possessions in Africa.

A number of other countries have made payments in aid of their merchant marine. Argentina has adopted legislation for aid on account of both construction and operation, but seems to have made no payments. Chile has been making small payments for services northward along the West Coast to Panama. Denmark, Greece, Mexico, Peru, and Norway are other countries which have laws for aid to shipping.

In several countries there has been government ownership and operation of merchant vessels, usually for some distinct purpose, as in connection with government railways or to afford special facilities of transportation. Instances in which there has been government-ownership for oversea lines include the following:

The Roumanian Government has owned and operated steamers on the Danube and in two foreign services,—one running profitably to Holland, with five cargo boats for grain, and one running to Egypt, at a deficit of about $100,000 a year.

The largest shipping concern in Brazil—the Lloyd Brasiliero, with several services including a line to North America, is usually said to be owned by its government. In any event, this company is closely affiliated with the government and receives practically all subsidies paid to vessels in the foreign trade of Brazil.

The Russian Volunteer Fleet is likewise described as owned by its government. Whether or not it is actually the property

of the Russian government cannot be ascertained from information at hand, but there is no question that the government has in recent years lent money to the Fleet for acquisition of new steamers, charging no interest, and that the government largely directs the operation of the steamers of the Fleet.

The United States in 1904 became the owner of a majority of the shares in the Panama Railroad Company, subsequently acquiring all. The government has through the War Department continued the existence of the corporation, selecting directors very largely among officers of the army and navy. The railroad company in turn had a line of steamers which it operated between the Isthmus and New York. This line was augmented by vessels chartered to it by the government and used as a means of transporting supplies,—notably great quantities of cement,—and employees for the Canal. At the same time, it has offered to the public facilities for passengers and cargo, and has carried the mails. It now operates four steamers with weekly sailings from New York. Two naval colliers are under construction, at the cost of the government, and when completed in 1916 will be turned over to the steamship line for use in maintaining supplies of coal at the Panama Canal.

The United States through the War Department owns some eighteen ocean-going vessels of merchant type, operating them under the Quartermaster General for transportation of troops, animals, and supplies. Between the Pacific Coast and the Philippine Islands a regular service with monthly sailings is maintained with these transport vessels. Recently, the War Department has announced that it has made arrangements with the Philippine government under which the service of transports may afford some temporary facilities for commercial shipments.

Since the war began members of the Labor party have urged in the House of Commons that the British government, as a means of reducing ocean-freight rates on foodstuffs, either operate merchant vessels and place rates on grain and other food materials from Canada and Argentina on a basis of cost, or on a somewhat comparable basis, but including a profit, regulate the rates charged under private operation. The British government, speaking by the President of the Board of Trade, opposed both forms of the proposal. At the same time, the British government is in a sense in the position of operating merchant vessels. Toward the end of last January the Board of Trade (a govern-

ment department, corresponding to our Department of Commerce) arranged that some thirty-four German and Austrian merchant ships should be placed in the management of two men experienced in shipping. These vessels, having been in British ports at the beginning of the war, are in the situation of being interned until the war ends. The managers were instructed to charter the vessels at market rates, being careful, however, to avoid using them to advance the market rate for charters. These vessels are being used largely in the coastwise trade for carrying coal. The proceeds of the use of the vessels are paid into the public treasury.

WHAT THE WAR HAS DONE TO SHIPPING[1]

Twenty-one months of war have destroyed 1,216 merchant vessels. They aggregated nearly two and a half million gross tons. The following tables show how the different shipping nations of the world have suffered in this respect:

Allied Shipping Destroyed

Nation	Gross Tons
Great Britain	1,571,293
France	190,289
Italy	71,443
Russia	42,258
Belgium	25,858
Japan	16,015
Total gross tons	1,917,161

Neutral Shipping Destroyed

Nation	Gross Tons
Norway	147,580
Holland	82,629
Denmark	40,653
Sweden	37,896
Greece	15,017
Spain	14,550
United States	10,377
Total gross tons	348,702

[1] Independent. 86:257. May 15, 1916.

Teutonic Shipping Destroyed

Nation	Gross Tons
Germany	165,006
Turkey	18,150
Austria-Hungary	13,240
Total gross tons	196,396

England has lost the most ships, 727; Norway the next largest number, 107; France next, 72; Germany next, 68; Denmark, Holland, Italy, Russia and Sweden are not far apart in their losses, which range from 31 to 40. The United States, Japan and Spain stand at the bottom of the list, with 6, 3, and 7 respectively.

The British losses are naturally the greatest. For Great Britain has the most ships on the sea; and the German submarine warfare has been directed primarily against England. The German losses are naturally light, for since the first few months of the war German shipping has been tightly locked up in home and neutral harbors.

Last week Earl Curzon announced in the House of Lords that a total of 450 enemy ships had been detained, seized or captured by the Allies in all parts of the world since the war began.

He added that it was an encouraging fact and a curious coincidence that the British merchant ships lost thru war operations were exactly balanced in number and tonnage by the new ships added to the register during the war.

FORMS OF GOVERNMENT AID TO SHIPPING[1]

State aid to merchant shipping may take a number of forms. In the commonly accepted version of the term government aid means the payment of bounties, subsidies, or subventions, but its scope is, in fact, much broader, since substantial assistance is often rendered by the grant of privileges whose benefits can not be computed in terms of money.

In this report government aid has been treated under two broad classes, namely, direct and indirect aid. Under the head

[1] From "Government Aid to Merchant Shipping," United States Department of Commerce, Bureau of Foreign and Domestic Commerce. Special Agents Series. No. 119.

of indirect aid are considered (a) reservation of coasting trade; (b) exemption from import duties on shipbuilding materials; (c) preferential railway rates; (d) loans to shipowners; (e) reimbursement of canal dues; and (f) other indirect aid, such as exemption from port dues, taxation, etc. Under the head of direct aid are shown (a) bounties or subsidies, divided, as a rule, into three principal classes, namely, construction, general navigation, and special navigation bounties; and (b) subventions, divided into two classes, namely, postal and admiralty.

Reservation of Coasting Trade

In the case of many of the selected countries the extent of the coasting trade is so limited that its monopolization by ships flying the national flag is of comparatively little advantage to such shipping. Of the leading maritime countries Great Britain is distinguished by the fact that the extensive coasting trade of the British Isles and the so-called imperial coasting trade (the trade between the mother country and the colonies and between the colonies themselves) have been open to the ships of all nations since about 1850, when the navigation acts were repealed. In recent years, however, consideration has been given to a proposal that the British and imperial coasting trade be closed to ships of nations denying British reciprocal privileges and to subsidized foreign ships, except upon payment of an indemnity.

The coasting trades of Norway and Sweden are open to the ships of all other nations except Sweden and Norway, respectively. The coasting trade of Denmark is open without qualification. The configuration of the coasts of these countries and their sparse population make their coasting trades of little value in the development of a merchant marine. In fact, both Norway and Sweden find it necessary to subsidize a number of coastwise lines to insure regular trade and mail communications.

The coasting trade of Germany, while not important, is largely held by German ships, but this is not a result of legislation, since, nominally, the coasting trade of Germany is open to the ships of other nations that grant reciprocal privileges to German ships.

Both the meager coasting trade of the Netherlands proper and the extensive trade between the Netherlands and the Dutch East Indies are open to the ships of nations that grant reciprocal privileges to Dutch ships.

The United States, France, Italy, Austria-Hungary, Spain, and Belgium, among the more important maritime countries, have long reserved their coasting trade to national ships, while Japan has reserved all of its coasting trade since 1910.

Russia has long reserved the trade between Russian ports on the same sea for Russian ships, but it was not until the issuance of the royal decree of May 29, 1897, that the trade between all Russian ports was restricted to Russian ships.

The coasting trade of Portugal proper and the trade between Portugal and the adjacent islands and Portuguese West Africa are reserved for Portuguese vessels, but the trade between Portugal and other Portuguese possessions is open to foreign vessels.

Exemption from Import Duties on Shipbuilding Materials

All shipbuilding materials have been exempt from customs duties in England since the adoption of the free-trade policy. Such materials have been exempt for many years also in Germany and the Netherlands. Belgium has granted free admission to shipbuilding materials since April 12, 1864. All shipbuilding materials have been on the free list in the United States since the tariff act of 1909, although many such materials had been exempt from duties since the tariff act of 1894.

France, Italy, and Spain levy duties on materials used in the construction, repair, and equipment of ships, despite the fact that their iron and steel industries can not under present conditions compete with those of Great Britain and Germany, and many products of these industries must be imported. These countries wish, however, to protect domestic industries, even though bounties must be paid to shipbuilders to offset the duties. The fact that these countries levy import duties on shipbuilding materials must be borne in mind when reference is made to the fact they pay bounties on ship construction.

The Scandinavian countries impose import duties in shipbuilding materials but allow drawbacks. Sweden allows a drawback of duties actually paid on materials used in the construction in Swedish yards of any ship of 40 tons and over. Denmark allows a drawback equal to not more than 2 per cent of the selling price of all ships built in Danish yards. And Norway makes in lieu of a drawback a grant amounting to 2 per cent of the selling price of new steamers of 50 to 300 tons and sailing vessels of 50 tons and over, as well as a grant equal to 1.5 per cent

of the cost of repairs on vessels of 300 tons and over, if the cost is at least 1,000 kroner ($268).

Prior to 1898 Russia levied a duty on shipbuilding materials as well as ships. In 1898 specified shipbuilding materials and iron or steel steamships for over-seas trades were put on the free list for a period of ten years. This policy has been continued from time to time by subsequent decrees.

Admission of Foreign-built Vessels to National Registry

For many years no country of importance with the exception of the United States has required that ships flying the national flag shall be of domestic construction, although practically every country has made this requirement in the case of steamships receiving postal subventions.

England has granted registers to foreign-built ships, in other words has pursued the "free-ship" policy, since about 1850. At that time wooden sailing vessels were predominant and these could be secured more cheaply in the United States, which had larger supplies of timber and naval stores and a more efficient ship-building industry. As a result of this free-ship policy the merchant marine of Great Britain received large accessions during the Civil War, when more than 750,000 tons of American shipping secured foreign registers to avoid capture or destruction.

Germany has also pursued the free-ship policy but at the same time has given much encouragement to the domestic production of ships by making low railroad rates on materials transported from the iron and steel manufacturing centers in the interior to the ship-yards along the coast and by requiring that subventioned steamers should be of domestic construction.

France has at times gone so far in its free-ship policy as to pay bounties on foreign-built ships but has paid mail subventions only to domestic-built vessels, although the recent contract of the Compagnie Générale Transatlantique provides that in the case of difficulties arising from "force majeure" the company may be authorized to use foreign-built vessels.

The free-ship policy has long been pursued also by the Scandinavian countries, the Netherlands, Belgium, Spain, Portugal, Greece, Japan, and practically every other country except the United States. The pursuance of this policy has been due chiefly to the advantage to be gained in purchasing steamships in the

cheapest market. These countries have not, however, consistently pursued the free-ship policy, since most of them have stipulated in mail contracts or in subsidy legislation either that the ships receiving subventions or subsidies should be of domestic construction or that larger grants should be paid to domestic-built ships.

The United States has adopted the free-ship policy in full only since the outbreak of the present war in Europe and only in respect to ships engaged in the over-seas trade, but a step in this direction was taken in the Panama Canal act of August 24, 1912, which admitted to American registry seaworthy foreign-built ships not more than five years old. Foreign-built ships are not yet permitted to engage in the extensive coasting trade of this country, while domestic-built ships constructed of foreign materials have been permitted to engage in the entire coasting during the whole year only since the passage of the Panama Canal act of August 24, 1912.

The policy pursued in the United States from 1792 down to 1914 of granting registers only to American-built ships was dictated originally by purely mercantilistic considerations, but in more recent years it has probably resulted from a desire to foster the domestic shipbuilding industry. There is no question but that this policy has been of some assistance in maintaining the industry, for there has been a large and growing demand for ships for the coastwise trade, which is restricted to American-built ships and has developed rapidly. The building program of the American Navy has also been of considerable assistance. If, however, the shipbuilding industry of the United States had been obliged to depend upon orders for ships in the over-seas trade, it would have declined long since because of the higher costs of American ship construction.

One of the strongest arguments against various subsidy bills that have been proposed in the past twenty years has been the fact that the bills provided for navigation bounties that would have been to a large degree bounties on construction, since they were intended to offset the higher depreciation and interest charges of the higher-priced American-built ships, as well as the higher operating costs. Such legislation appeared, therefore, to grant an artificial and unwarranted stimulus to the construction of over-seas ships and to have been prepared in the interest of the shipbuilder rather than in the interest of the shipowner or of the exporter.

State-owned Steamship Lines

A number of countries own steamship lines. Belgium has owned for many years a number of vessels that have been operated between Ostend and Dover in connection with the Belgian State Railways. Lloyd's Register shows that the Belgian government owned, in 1914, 11 steamers, 3 turbine and 8 paddle-wheel boats. The turbine steamers are of about 1,700 tons gross capacity and have a speed of 24 knots. Three of the other steamers have a speed of 22 knots, and three others a speed of 21 knots. It is interesting to note that the speed of the 24-knot steamers is exceeded only by that of the Mauretania.

The relations between the Russian government and three of the most important Russian steamship lines have been very close for a number of years. Almost from its organization, in 1878, the Volunteer Fleet has been under the control of the Ministry of the Marine and the Ministry of Commerce and Manufacturers. It would appear that the relations between the Russian government and the volunteer Fleet are even closer than the relationship between the United States government and the Panama Railroad Co. Line, as is indicated by the provisions of the charter and by-laws of this company.

The property of the Russian Danube Steamship Co. was purchased by the Russian government in 1903, when the company went into liquidation and is now managed by a board appointed by the Chief of the Bureau of Merchant Marine.

Upon a reorganization of the Archangel-Murman Steamship Co., in 1895, the Russian government subscribed for about 56 per cent of the new capital stock.

By a law of April 5, 1908, the Italian government intrusted to the State Administration of Railroads the operation, after July 1, 1910, of certain lines of navigation between the mainland and Sardinia and Sicily. Twelve steamships, with an aggregate gross tonnage of 30,250 tons, are operated in these services. Four of these vessels have a gross tonnage ranging from 3,262 to 3,497 tons and have a speed of 20 knots.

The bulk of the tonnage under the Roumanian flag is owned by the government. In 1897 the Roumanian government began the operation of a line of mail steamships between the Black Sea port of Constantza and Constantinople and Alexandria, and a line of cargo steamers between the Danubian ports of Roumania and Rotterdam. In addition, the government operates a local

line of steamers on the Danube. Four of the five mail steamers have a speed of 18.5 knots, while the other has a speed of 17.8 knots. Three of these steamers have a gross tonnage of more than 3,100 tons each. The five cargo boats that are operated on the line to Rotterdam range in tonnage from 2,125 to 2,255 gross tons, and three have a speed of 9.5 knots, while the other two have a speed of 10.3 knots.

Brazil owns the Lloyd Brasiliero, which is the largest steamship company flying the Brazilian flag.

The Swedish State Railways own three steamers, two of which are of more than 3,000 tons gross capacity and 16.5 knots speed.

Western Australia owns a line of small steamers, which "was established in 1913 to save the settlers of the south coast the advantage of steamer service, which was in danger of being discontinued by the commonwealth government owing to the prohibitive demands made by the private company operating this line."

The Imperial Government Railways of Japan own four steamers—two of 1,521 gross tons capacity and 18 knots speed and two of 3,107 gross tons capacity and 15 knots speed. These steamers are operated in connection with the government railways in the Korean Channel service between Shimonoseki and Fusan.

The United States government operates, through the Panama Canal Co., a line of three steamships plying between New York and Colon. The government owns all of the stock of the Panama Railroad Co. excepting a few shares.

The State Railroads of France own eight steamers, which are operated in the channel service between France and England. Two of these steamers, the Newhaven and the Rouen, are turbine steamers with a capacity of 1,656 gross tons and a speed of 23.5 knots.

FORTUNES OF THE SHIPPING INDUSTRY[1]

When the European war began, and business men in all countries were anxiously calculating which industries would be helped and which injured, what old trade enterprises would be destroyed

[1] Nation. 102:294-5. March 9, 1916.

and what new ones would be called into being, there was the greatest imaginable confusion of opinion. Scores of confident predictions, apparently well founded, turned out to be wholly mistaken. Export trade was to be paralyzed through loss of access to important markets now blockaded. Inability to obtain any longer the foreign raw materials, necessary to certain lines of manufacture, would force those industries to shut down. Not least of all with international trade completely upset, by the war and the world-wide financial reaction which came with it, the ocean shipping trade would be reduced to small dimensions.

There were shrewder and more far-seeing business men who reached very different conclusions, even in 1914. When they did not rely wholly on general principles, they were apt to learn from the history of the Napoleonic wars—the last international conflict of any such magnitude—that the trade and manufacture of neutral nations would be immensely stimulated, both by elimination of blockaded competitors and by purchase of materials of war; that food products would be in unprecedented demand, and that the driving of one belligerent's merchant fleet from the seas, and the drafting of another belligerent's carrying ships into the army transport service, would eventually create an actual scarcity of ocean ships and abnormally high prices for ocean freights.

All this has happened in the present war, and to-day the most remarkable duplication of the experience of a hundred years ago has been in the shipping trade. Yet it was only gradually that the real situation in that industry came to light.

The London Economist, writing at the end of last October, commented as follows on the shipping situation:

> The present extraordinary condition of the freight market presents an astonishing contrast to the general anticipation of ship-owners before the war, for when war broke out many men were actually within sight of big fortunes, though they were in danger of almost instant bankruptcy. Nobody realized the demand for tonnage that was to result from the war, and most ship-owners, foreseeing little use for steamers in their normal employment, were anxious to have them requisitioned by the government, at the government's own rates.
>
> Later on, as the need for tonnage grew, their attitude changed, and so far from courting government employment, they were only anxious to keep their steamers for their own use, and run them in the ordinary course of trade. Freights rose from day to day, and the revenue-earning power of steamers increased to a point that before the war would have been considered fabulous.

Since this was written, the difficulties of the situation in Eng-

land, already serious, appear to have been greatly aggravated. In New York, a tour of the ship-brokers' offices last week brought to light incidents that rival the tales of munitions millionaires. One agent told of a 4,000-ton American vessel, originally costing $30,000 several years ago, which lately sold at $185,000, and was considered a bargain by her purchasers. A British steamer changed hands a week ago for $525,000 cash, which brought but $325,000 last summer. This ship was immediately loaded with a cargo for France at $40 per ton, and will pay a handsome dividend on the first voyage, if she avoids the submarines and mines.

Shipbuilding firms are offered prices previously unheard of for the product of their yards. Boats ready for delivery this month are bringing as much as $125 per ton. Those, however, which will not be ready until the autumn sell at only $95 per ton; obviously because buyers share the uncertainty of the general public as to how long the war will continue, and because of their belief that the present rate of profits in shipping cannot last long after the conflict closes.

Since the autumn of 1914, freight rates have been continually rising to new high levels, and shipping experts see no prospect of immediate relief, unless peace comes. Munitions of war are not the only exports that have to pay almost unheard of rates. Grain to Liverpool, which before the war was carried across the Atlantic for five cents a bushel, now costs fifty cents a bushel.

Flour is going to England in sacks at a rate of ninety cents per 100 pounds, compared with an ante-bellum rate of twelve cents. Provisions have increased from a rate of $4.85 per ton on August 1, 1914, to $1 per 100 pounds on November 1, 1915, and now stand at $1.25 per 100 pounds. It now costs $2.50 per 100 pounds to send cotton from New York to Liverpool—when steamer accommodation can be obtained. Before the war, it cost but twenty cents.

The profits now being made in ocean shipping are illustrated in a report sent by the United States Consul at Cardiff, Wales, which gives authentic figures published by the president of the Cardiff Chamber of Commerce. One of the instances given was of a vessel of 6,100 tons dead weight that had earned a profit of $3,153 in a voyage to and from the River Plate from June to December, 1914, Freights were low at that period, and, after interest had been paid on capital, there were no profits left. To-day, the president of the Chamber of Commerce said, the vessel

could be chartered for Rio Janeiro at $10.33 per ton, and back to the United Kingdom from Rosario at $11.55, and the net profit for the round voyage of four months would amount to $193,000.

He mentioned another vessel of 3,700 tons register, built in 1910 at a cost of $204,390, that had been chartered for twelve months at $7.30 per ton, dead weight, per month. With everything running smoothly, and no accidents, the gross earnings of this vessel to the owners would amount to $553,990. The running expenses, including war-risk, would amount to $10,000 per month, leaving a net year's profit of $413,990. The ship would thus twice pay for itself in a year.

One very important reason for this state of things is that the English lines have had so many of their vessels called into the transport service by the government that their facilities have been very seriously crippled. The British Admiralty recently announced that it had requisitioned 3,100 steamers since the beginning of the war. Since there were only 12,602 British steam vessels of all classes registered at the end of 1913, and the government, as a rule, took over those of the greatest tonnage, it will be seen that fully one-fourth of the British merchant fleet is withdrawn from commercial service—not to mention the German vessels now idle in harbor, or the great number of merchant ships destroyed by the enemy.

But what of the longer future? One thing seems to be certain—that merchants who buy or charter vessels at present rates are gambling that the conflict will last long enough for them to reap a harvest. Still, even if peace is near, they maintain that there will be a scarcity of tonnage for at least a year after the treaty is signed.

It must be remembered, however, that hundreds of German ships will be released by a treaty of peace, that munitions shipments will cease, and that the British Admiralty will be able to restore 3,100 steamers to their owners as soon as the war is over and the armies and their supplies are brought home. And what then? The precedent of the Napoleonic wars recurs to mind. In the very severe trade reaction which then ensued among the belligerent communities, the markets for wheat, for grain-growing land, for metals, and for plants manufacturing war materials, suffered heavily. But few industries were confronted with such sudden depression, such speedy reversion to conditions where supply was vastly in excess of demand, as the ocean shipping trade.

THE USE AND BENEFITS OF AN AMERICAN MERCHANT MARINE[1]

There is perhaps no national question more widely discussed and less understood by the average citizen than the American Merchant Marine. The practical reason why the United States should have a merchant marine is that without it the expansion of our foreign trade is utterly impossible. That "Trade follows the Flag" is unquestionably true, especially when the flag is accompanied by commercial energy, tact and honesty and backed by a national policy of diplomatic firmness, dignity and self-respect.

The large and increasing commerce of England and Germany with over-sea countries was gained primarily by the aid of a well-organized and a well-managed merchant marine, fostered and encouraged by good laws and all other agencies of government. Great Britain with more limited natural resources than ourselves has left no act undone to encourage the growth of her own merchant fleet, and at the same time to discourage any growth of ours. From Colonial times, when England closed her own ports and those of her colonies to American ships, her efforts against our merchant marine have been felt continuously. How successful this campaign has been is shown by the fact that while in the early part of the nineteenth century, over 90 per cent. of our foreign commerce was carried in American bottoms, yet due to national indifference, in 1914, all but 8.6 per cent of our foreign commerce was carried in vessels flying a foreign flag.

There have been a few spasmodic attempts toward the creation of an adequate supply of merchant ships. In the first half of the nineteenth century laws were passed allowing a discrimination of 10 per cent in favor of all goods imported into this country in American bottoms, and foreign ships were made to pay a tax of 50 cents per ton against 6 cents for our own.

In 1845, the first mail or subsidy law ever enacted by our federal Congress enabled the Collins Line in 1849 to enter into competition with the Cunard Company, which even at that early date began to practice the monopolistic tactics which have been so perfected by the steamship trust. In 1855, due to the dissen-

[1] Bulletin No. 2. Directors of the Port of Boston, Edward F. McSweeney, chairman.

sions which had grown up on account of slavery, this subsidy law was made the object of attack by Southern leaders in Congress. The mail contracts were modified and in 1858 taken away altogether, and the heavy hand of foreign steamship companies, sailing under liberal government aid, was felt. During the period in which these subsidies and mail contracts provided by Congress were in effect, our shipping increased by leaps and bounds. In 1855, the tonnage of the United States was about two and one half times as great as it was at the outbreak of the present war.

When in 1849 the Collins Line was established between Liverpool and New York, the rates of the Cunard Line, which had previously practically no competition, was reduced from £7 10 shillings per ton to £4, or 45 per cent. With practically no ships under our flag to compete with the foreign shipping trust, we are to-day probably paying tolls which are proportionately as excessive as they were at the time the Collins Line so radically reduced them through the wise action of Congress.

At the present time we are in the grasp of a foreign steamship trust more gigantic and more powerful than any trust which has dominated our interior. Secure in the fact that practically every steamship line in existence to-day is a member of one or more of its intricate divisions, our handful of ships are powerless to offer even the semblance of effective competition.

While the ostensible and visible intent of this monopoly is to dominate foreign shipping, and eliminate marine competition, the real and only purpose is to dictate to the world where and from whom it shall buy its goods. The trust arranges freight rates and sailings to suit its own convenience and interest, regardless of those of the shipper; it has a fleet of "fighting" ships to send to ports where ships independent of the trust propose to cut rates and get business; it boycotts merchants who patronize independent lines, by delaying shipments or refusing them outright between sailings of the independent competitor, and it rules the seas with a high hand, regardless and contemptuous of the laws which appear to be unable to reach them.

In short, every detail of the shipment of our goods is worked out for us by our bitterest rivals. It would be no less absurd if a merchant chose his strongest competitor as his expressman in the delivery of his goods, and then wondered why the other fellow got the cream of the trade. One of the essential elements

of good business demands that the seller of goods get into personal touch with his buyer, and this is the one thing the United States has absolutely ignored. Great Britain and Germany have both realized that it was not only important to see that their goods reached their destination, but that this prime essential of good business—personal contact—could be attained only by employing their own ships as carriers. The following comparison will show very clearly the different viewpoints taken by Germany and the United States on this vital question.

To convey our exports to Germany in 1914 we required 745 ships with a total tonnage of 3,877,334, of which number but 2 ships with a total of 8,406 tons flew the American flag.

In the same year 535 ships with a total of 3,213,204 tons left Germany with cargoes for the United States. Of this number 418 ships or 2,865,929 tons flew the German flag.

In other words 90 per cent. of Germany's exports to the United States were carried in German bottoms, while we in the United States were content to let but two-tenths of 1 per cent. of our exports to Germany be carried under the American flag.

It is also interesting to note through the chart how clearly the rise in German exports has followed the rise of the tonnage of her merchant marine.

While Germany and the United States have practically doubled their exports during the past fifteen years, it must be remembered that Germany has made her growth in manufactured goods while the United States has been supplying the world those necessities of life which only comparatively undeveloped countries could furnish. It takes no aggressive selling campaign to market our 600 million dollar cotton crop. We have a practical monopoly in raw cotton. Our tremendous commercial short-sightedness as a nation is that we are content to send only one-twentieth of our tremendous export in this commodity as a finished product. If the United States could in 1914 have exported as manufactured goods, one half of the crop sent out of the country as raw material, it would have raised the exports by $200,000,000, of which sum 50 per cent would have gone into the pockets of an army of over 200,000 mill hands. An active merchant marine under our flag is the only means possible to begin to achieve this end.

Recent inspired statements concerning the growth of our merchant fleet, to the effect that our merchant marine is second

only to that of Great Britain, do not stand the test of analysis. Our merchant fleet of 1914 is practically 8,000,000 gross tons, divided as follows:

	Tons
Coastwise and Fisheries	3,962,141
Great Lakes	2,882,922
Foreign Trade	1,076,152

The most lamentable feature of this million tons engaged in the foreign trade is, that it is less than one half of the figures for 1855 (sixty years ago) when over 2,500,000 tons were engaged in the over-sea trade, and only 10 per cent more than were registered in the foreign trade in 1810.

In short, we had in 1914 about one-tenth of the available tonnage for foreign trade of Great Britain and about one-fourth that of Germany. For the purpose of advancing our foreign trade, our 7,000,000 tons either sailing coastwise or on the Great Lakes can be of no value.

The South American trade which at present offers such great promise is completely in the hands of this shipping combination, and by its system of rates, rebates and discriminations to buyers of foreign goods has actually driven down our exports to South America from over 146 millions in 1913 to 124 millions in 1914 and to 99 millions in 1915. And this in spite of the fact that the United States has been for the past few years waking up to the necessity of increasing our foreign commerce. While it is true that the South American republics have been in straitened financial circumstances for the past few years, yet with Germany's 100 million dollar imports practically wiped out and England's severely crippled, this fact does not explain the alarming decrease shown by us. Despite the fact that our consuls in foreign lands, our special representatives of the Department of Commerce sent abroad to gather first hand information, chambers of commerce and boards of trade, have all been doing yeoman service to stimulate this trade, the handicaps against our merchant marine are such that even this trade, as it comes, is carried in alien ships.

The following figures show effectively the situation in the South American field.

In 1914, 258 ships cleared at the various United States ports for Argentina and of this number but 2 flew the American flag. Of the 230 that cleared for Brazilian ports, but 17 were Ameri-

can. The following table gives the total ship tonnage that cleared for South America for the past five years and the American tonnage and its percentage of the total.

Cleared from United States Ports for South America

Year	Total Ships' Tons	United States Ships' Tons	Percentage of United States Tonnage
1910	1,654,971	115,497	7
1911	1,633,210	148,484	9
1912	2,203,540	125,380	6
1913	2,302,531	119,647	5
1914	2,429,650	192,479	8

After the war began, American exporters having contracts at a stated price with foreign ships with six months to two years to run could not get their goods taken to Europe because the shipping trust could get sometimes as high as five times as much from other shippers. The cold avarice shown in the broken pledges of these shipping companies during the period since the war should of itself be enough to force us to establish our own merchant marine, and thus make ourselves independent of the shipping monopoly, whose allegiance is elsewhere, and which, while accepting toll from us, does everything possible to keep us weak on the seas in order to insure the primacy of our alien competitors in the markets of the world.[1]

Before the Civil War the United States built up a merchant marine. Since then a mass of legislation, militating against the building of an American merchant marine, has been passed by

[1] The following dividends paid within the last few years show the profits in the shipping business which come in part from our trade.

The British house of Furness, Withy & Co., Ltd., operating cargo ships, earned and declared in the year ending April 30, 1915, a dividend of 10 per cent.

The Nippon Yusen Kaisha Steamship Company of Japan declared a 10 per cent dividend this year and carried forward a balance of nearly half a million dollars.

The Oceanic Steam Navigation Company (White Star Line) paid 10 per cent dividends in 1908; 20 per cent in 1909; 30 per cent in 1910; 30 per cent in 1912; 65 per cent in 1913.

Ellerman Lines paid 13 per cent in 1911; 12 per cent in 1912; 22 per cent and 100 per cent bonus in 1913.

Orient Steam Navigation Company paid 5 per cent and 50 per cent bonus in 1911 and 1912; 5 per cent and 50 per cent bonus in 1912-13.

Strick Line paid 10 per cent yearly since inception; paid 300 per cent bonus in 1905; 50 per cent bonus in 1913.

Peninsular and Oriental Steam Navigation Company paid 13 per cent for past twenty-three years, ending 1912-13 and 15 per cent in 1913-14.

Cunard Line paid 10 per cent in 1912-13 and 20 per cent in 1914-15.

Anchor Line paid 20 per cent in 1912-13 and 20 per cent in 1913-14.

The German lines before the war were equally prosperous.

From these figures it seems to be plain that under the proper conditions steamship companies are evidently able to make good returns on their investment.

Congress. Financial interests concerned in the operation of the ship yards, and the thousand and one selfish interests which did not dream, or did not care, that they were making the mistake of killing the goose which lays the golden egg, have been helping to pass laws, which make it harder for American capital successfully to engage in maritime commerce. The members of Congress representing maritime sections are few in comparison with the total number, and it is easy for an inland congressman to accept the specious pleas made for the passage of certain bills regulating commerce. Too frequently the congressmen and senators even from port districts join in killing the business prosperity of their constitutents. The sum total is that the laws of the United States in relation to shipping are more severe than in any other country in the world. Our ships cost more to build and operate, this being especially true of wages and conditions of labor.

Tonnage of Steamships Available for Over-sea Trade[1]

SHIPS OF OVER 20,000 TONS

United States, 1 ship, 20,718 tons; Germany, 8 ships, 269,694 tons; Great Britain, 8 ships, 260,571 tons.

SHIPS OF OVER 15,000 TONS

United States, 1 ship, 20,718 tons; Germany, 21 ships 521,914 tons; Great Britain, 25 ships, 553,752 tons.

SHIPS OF OVER 10,000 TONS

United States, 14 ships, 172,551 tons; Germany, 42 ships, 773,327 tons; Great Britain, 140 ships 1,918,199 tons.

SHIPS OF OVER 5,000 TONS

United States, 143 ships 985,730 tons; Germany, 272 ships, 2,267,099 tons; Great Britain, 977 ships, 7,435,669 tons.

La Follette's Seamen's Bill, undoubtedly actuated by humanitarian considerations, in some of its provisions is operating to drive American shipping off the sea. The American Consul at Hongkong, in a report made public by the State Department on September 21, 1915, states that the Japanese shipping lines which virtually control the Pacific trade will continue to discriminate in favor of Japanese shippers in apportioning space in

[1] Lloyd's Register, 1915-16.

steamers. The removal of American vessels, as a result of the Seamen's act, from the trans-Pacific run will precipitate a situation of the gravest sort, involving a stoppage practically of all business in the Far East obtained by American manufacturers since the beginning of the war. Whether the coastwise lines will be obliged to raise their rates to the level of rail tariffs or go out of business cannot be determined, until the full effects of the law have been felt. There may be something in the suggestion that without the assistance of the railroads, which are beginning to feel the effects of the increase in water-borne traffic, such a law could not have been passed by Congress. At any rate, it is on the statute books operating to prevent the continuance of the little merchant marine we have and will certainly prevent in a large degree the building of any more ships in normal times.

If Congress believes the United States should, by legislation, place in operation of American vessels burdensome requirements not imposed on nor applying to ships of any other government, then Congress with equal justice should legislate in behalf of the American shipowner and, either by direct subvention or some form of preferential rates, provide the income for American vessels which will enable the shipowners to bear the additional cost of operation imposed by legislation. It may be a comfort to the American seaman, who because of our shipping laws is forced to sit on a cap-log and watch alien ships coming in and going out of the harbors of the United States, to dream of the blissful existence of the sailorman if our country did have a merchant marine. The American workman, however, loafing three or four months out of each year, because Congress impedes rather than encourages the opportunity to place his products in the foreign markets will soon learn that he too has a vital interest in the development of an American merchant marine.

America needs a merchant marine and needs it most acutely, and of all the commonwealths of this republic none needs it more urgently than Massachusetts. The manufacturers and wage-earners of this state at the close of the war will be paying the penalty of the lack of a merchant marine in arrested industrial activity and a lessened productivity.

In normal times we pay the alien marine corporations $300,000,000 annually for carrying our products to the market, yet to-day, when war has decreased our legitimate trade most markedly the tribute we pay to the foreign carrier has not

lessened, for his rates have multiplied in the presence of our necessity and helplessness. Every ship transferred from the traffic of peace to the trade of war has added to the burdens borne by the American farmer, manufacturer, merchant and worker. We have neglected to provide for the rainy day of commerce; we have wasted our time in endless and aimless controversies. While we have split hairs and chopped logic we have failed to restore our merchant marine; we have depended on the alien to do the work that only we ourselves can and should do, and to-day we are reaping as we have sowed.

Massachusetts, in the early days, the leading maritime state of the Union, has upon its statute books most liberal laws to encourage investment by the people of the Commonwealth in a merchant marine,—the taxes on persons, partnerships or corporations engaging in either the foreign or the coastwise trade are but one-third of 1 per cent. of the value of the ships where owned by individuals or partnerships, and the same amount plus a minimum excise tax of one-tenth of 1 per cent where owned by corporations. Individuals or partnerships establishing in Massachusetts and doing business here in the foreign or coastwise trade would, therefore, pay but $3.33 per $1,000 valuation and corporations but $4.33 per $1,000 valuation per year in taxes as compared with the average of $18.55 per $1,000 valuation per year on all other lines of individual, partnership or corporate property throughout the state. This difference amounts to a most substantial subsidy of from 76 per cent to 82 per cent in taxes as the practical contribution of the Commonwealth of Massachusetts to the upbuilding by its citizens of an American Merchant Marine.

PROBABLE EFFECTS OF THE WAR ON THE FOREIGN TRADE OF THE UNITED STATES[1]

In the summer and early autumn of 1914 it was the belief of many that American exports would speedily take the place of European wares in the neutral markets of the world, and that

[1] By Grover G. Huebner, Assistant Professor of Transportation and Commerce, University of Pennsylvania. Read at the meeting of the Academy of Political Science, November 12, 1915. Printed in the Proceedings. 6:174-84. October, 1915.

the advantages gained under the stress of war would in a large measure prove to be permanent. Particular emphasis was placed upon markets of South, Central and North America, Australasia, the Orient and Africa, for it was there that American and European manufactured wares had been in active competition for more than a dozen years. Though American exporters had made rapid progress, they had been obliged to compete against strongly established foreign rivals. That the intensity of this rivalry would be less so long as the principal European countries were engaged in their campaign of mutual destruction was certain, and it therefore seemed that an opportunity was being offered to American exporters to enter these markets unhindered and so to intrench themselves commercially that when peace returned they would find themselves in a greatly improved competitive position. When their British, German and French rivals later re-entered these markets they could at least make a wholehearted effort to retain permanently as large a share of trade as possible.

The expectation of acquiring a large deep-sea merchant marine also ran high, and was accompanied by the hope that the gains readily made possible by the neutral position of the United States would in a large measure prove to be permanent. To put these hopes into effect, the ship-registry laws were so amended as greatly to facilitate the registration of foreign-built vessels under the American flag.

That the export trade of the United States has made a great advance since the outbreak of hostilities is now so well known that repetition seems superfluous. The value of domestic exports in the fiscal year 1915 was $2,716,000,000 as compared with $2,329,700,000 in the previous year, and the excess of exports or so-called favorable balance of trade exceeded a billion dollars, while in 1914 it had been less than half a billion. In spite of declining imports, the total foreign trade reached the unprecedented aggregate of $4,442,759,000; and railroads, vessels and ports are being congested with foreign-bound freight. Meanwhile, the registered merchant fleet of the United States—that portion of the marine which is engaged in the foreign trade—grew from 1,076,152 gross tons on June 30, 1914, to 1,871,543 on June 30, 1915—a net gain of 795,391 tons for the year.

Yet these rapid advances in exports and vessel tonnage do not constitute evidence that the early expectations of permanent

trade advantages are being realized. A glance at the foreign trade returns discloses the temporary nature of the export boom and abnormal trade balance; and unless effective action of some sort is taken there is every likelihood that the most of the foreign-built vessels that changed registry during the war will return to foreign flags when peace is declared and neutrality is no longer a commanding trade asset.

The increase in exports has been confined largely to products which are directly dependent upon the European war. Thus, exports of foodstuffs jumped from $429,956,000 in 1914 to $902,352,000 in the fiscal year 1915; war munitions, other than big guns, which are not listed, from $8,127,000 to $50,027,000; war supplies, such as horses, mules, harness, saddles, aeroplanes, commercial automobiles and tires, wagons, gas oil, fuel oil, barbed wire, horseshoes, and surgical appliances from $28,993,000 to $169,520,000; materials for making munitions, such as spelter, lead, brass and brass manufactures, wire rods, steel billets, lathes to be used in making shrapnel, and sulphuric acid from $36,688,000 to $132,209,000; hides, leather and foot wear from $39,476,000 to $70,014,000; forage, such as oats, hay, cottonseed cake and meal from $1,585,000 to $78,367,000; and textile manufactures from $56,257,000 to $99,301,000.

The temporary nature of most of these exports is obvious. One of the cleanest-cut tendencies of the export trade since the close of the nineteenth century had been the relative and absolute decline in the exports of breadstuffs, meat animals, and in late years also of meat products, and it is, therefore, entirely unlikely that the sudden increase in such exports will continue permanently after the war prices come to an end, and Russian and other food supplies again become available. Food exports now include such articles as sugar, which can scarcely hope to hold the European market permanently in competition with European beet sugar. The increased foreign sales of textiles and of hides, leather and footwear were also due almost entirely to the unusual temporary demand in Europe, which normally is not a large market for American wares of this kind. That the shipment of huge quantities of forage to Europe is temporarily brought about by the war is undoubted, a goodly portion being consumed by the American horses and mules which have been shipped to Europe since the war began. The temporary nature of the exports of munitions, war supplies and munition materials are

obvious. Not even the prayers of those who are profiting from the manufacture of such wares can continue their exportation permanently when the slaughter in Europe ceases.

There has been no amazing increase in such of the staple exports of the United States as are not dependent upon a war demand, and many of them declined during the fiscal year 1915. The value of cotton exports declined by $234,257,000; that of iron and steel and manufactures thereof, even including increasing items such as barbed wire and shrapnel lathes, fell $25,592,000; naval stores $8,755,000; mineral oils $18,481,000; leaf tobacco $9,470,000; lumber and wood manufactures $53,236,000, and agricultural implements $21,661,000. The exports of phosphate rock, paper, coal, tobacco manufactures and electrical machinery likewise declined, and those of copper declined greatly when Germany, the largest foreign market for American copper, was closed, although in this case the increased demand on the part of American ammunition plants resulted in larger domestic sales. There has been some improvement during the last few months in the shipment of some of the exports which had declined during the fiscal year 1915, but few of them have regained even normal proportions.

The extent to which the early expectation regarding a permanent increase in exports has not materialized is further disclosed by an analysis of the destination of the exports which have been responsible for the temporary advance. Although the proportion of total exports shipped to Europe had steadily fallen since 1900, because agricultural exports other than cotton and leaf tobacco were declining and manufactures found their chief foreign markets elsewhere, the exports to Europe during the fiscal year 1915 suddenly sprang from $1,486,499,000 to $1,971,432,000, and from 62.8 to 71.2 per cent of the total export trade. The exports to all of the remaining continental trade divisions, except Africa, declined, although large increases had been predicted. Those to North American countries fell from $528,645,000 to $477,081,000, the only exceptions of importance being Cuba and Santo Domingo. Those to South America fell from $124,539,000 to $99,324,000, Venezuela being the only important exception. Those to Asia, aside from the shipments to Asiatic Russia which were destined to Europe, declined from $112,211,000 to $91,114,000; and the exports to Australasia fell from $83,568,000 to $77,764,000. Much improvement has occurred

in some of the non-European markets during the last few months of the fiscal year and since then, particularly in the South American countries, but the effects of the war period as a whole have been disappointing so far as the exports to non-European markets are concerned.

It is true that our exports to some of the neutral countries of Europe have increased, particularly those to Denmark, Sweden, Norway, Holland and Greece. Yet these trade increases will be no more lasting than those to the belligerents whose trade routes have not been closed, for they consist mainly of foodstuffs and other products normally obtained in large part from sources which, because of the closing of the Dardanelles and Baltic and the prior needs of the belligerents, are temporarily not available. The trade with the neutral countries of Europe would have been even larger but for the persistent interference with American trade and shipping by the belligerents, contrary to international law as understood by the United States government. The almost complete cessation of the direct trade with Germany has, moreover, led to the use of substitutes, which may or may not result in a permanent shrinkage in the demand for exports such as copper, cotton, gasoline and phosphate rock.

Instead of being jubilant over a huge excess of total exports over imports, it is more significant to note that in the trade with non-European markets there was an excess of imports and that it grew from $120,242,000 in 1914 to $262,657,000 in 1915. To maintain permanently an excess of total exports such as has resulted from the growing export and declining import trade with Europe since the war began is manifestly impossible under present conditions. It has occasioned one loan of $500,000,000 and others may follow. Perhaps it is not out of place to suggest that if similar financial assistance had been extended to some of the countries of South America and elsewhere trade gains of a more lasting variety would have resulted.

If the war should continue to rage for a long time to come and the progress which has very recently been made by American exporters in some of the non-European markets should become more far-reaching, something of permanent value may still be acomplished. Otherwise when peace returns, the policy of preferring huge temporary war profits will leave the foreign trade with these markets about where it was before the war began. Indeed the American exporter may find it more difficult

than ever to capture his full share of trade in the competitive markets of the world, for his English, German and French rivals will doubtless make a supreme effort to regain any markets which were temporarily lost. Those who at one time believed that some of our great European competitors would be completely crushed by their military enemies must see that after over fifteen months of struggle there are as yet no indications of such a result. They will all be there when peace is declared, and their aim will be to retake at almost any cost such markets as they have lost. Foreign markets for manufactures are a matter of commercial life or death to Great Britain and Germany; and to whatever extent they may, in their hatred for each other, hesitate to re-establish mutual trade relations, to that extent will they be obliged to seek greater foreign markets elsewhere.

May the United States make hay in South America and other much-sought markets while the sun does not shine in Europe, so as to be able to withstand the severe competition which is likely to arise. Confronted by higher costs of production at home, for the wage advances which the war has occasioned will become a problem after war orders cease to come, the position of the United States in the competitive foreign markets of the world will be none too bright. As regards the Chinese market, moreover, it is uncertain whether in the light of recent occurrences the open door policy which has long been supported by the United States will be fully maintained in the future. It is for these reasons that the establishing of effective banking and credit facilities, trade machinery, steamship lines, and investment relations during the war would in later years be an unmixed blessing to American exporters and importers. The establishment of such facilities would give to them a far better opportunity, not only to retain a portion of their rivals' business, but to develop new trade in the future.

What has been accomplished in increasing the vessel tonnage registered under the flag of the United States is gratifying, for over five hundred thousand tons of the increase represent tonnage which formerly operated under foreign flags. It has not, however, prevented a severe shortage in available commercial tonnage. A large number of enemy ships are interned in the ports of the belligerents and of neutral countries; many have been destroyed; some have been requisitioned for military uses; the free movement of others has been interfered with by de-

tention at British and French ports; and meanwhile British shipyards, which are the principal source of the world's deep-sea tonnage, have because of their larger use for military and naval purposes, greatly reduced their current output of merchant tonnage. American shipyards report an extraordinary volume of new orders, but most of them do not call for delivery before the last quarter of the year 1916 or the first half of 1917.

This shortage in merchant tonnage, accompanied by frequent delays at European ports and by an unusually large volume of foreign-bound freight is chiefly responsible for the unprecedented rise in ocean freight rates which has occurred. In the trade with European countries present freight rates average from five to six times the rates which prevailed before the war began, and in other parts of the world, although far removed from the battlefields, they also average from three to four times the rates which were formerly charged. The increase of our registered merchant fleet, moreover, may not prove to be a permanent increase unless speedy action is taken by Congress with a view to making it commercially possible to remain under the American flag during times of peace. The beneficial effects of the amended ship-registry act of 1914 are partly, at least, counteracted by the Seamen's Act of March 1915, which further increases the operating costs of American ships as compared with those of vessels operating under foreign flags. Whether or not the sale of its fleet by the Pacific Mail Steamship Company was due entirely to this statute and to the clause in the Panama Canal Act which prohibits railroad vessels from using the canal is immaterial. Their sale was undoubtedly encouraged by these statutes, as was also the transfer of various additional American vessels to foreign flags and to Canadian terminals. The trade between the Pacific coast of the United States and China has been needlessly burdened by an acute shortage in tonnage, which, unless it is remedied soon, is likely to have effects difficult to overcome in the future.

While little has thus far been accomplished during the war in furtherance of the country's future foreign commerce, and the effects of the war from this viewpoint have been disappointing, something has in fact been accomplished: (1) The exports from the United States to the non-European markets have in recent months begun to increase, and some of the trade which was formerly conducted by Europe is being transferred to the

United States; (2) a beginning has been made in the establishment of American branch banks in Latin-America, three having been established in Brazil, one in Argentina, one in Uruguay and one in Cuba; (3) the American deep-sea merchant fleet has, temporarily at least, been largely augmented; and (4) the serious embarrassment of commerce resulting from the lack of sufficient ocean-going vessels, and the difficulties incident to the transfer to the American flag of vessels which were formerly owned by foreign capital, has emphasized the desirability of a larger American merchant marine as nothing else had ever succeeded in doing.

A program which looks to the future growth of foreign commerce, to the permanent retention of such vessels as have registered under the American flag, and to the further increase of the merchant marine, is doubtless of more interest than criticism of the general course which has thus far been pursued since the European war began. The abnormal war trade with Europe has been preferred because the immediate profits which it promised were immense, but that attention will swing back to normal trade channels after peace returns, if not sooner, is scarcely subject to doubt.

To further these aims, it is believed that the merchant marine engaged in the foreign trade should be encouraged in three ways: (1) negatively by revising the navigation laws, a revision which may well begin by amending section 13 of the Seamen's Act so as to eliminate the language test and the minimum percentages of able seamen among the deck crew; and (2) positively by subsidizing a limited number of steamship lines in the South American, Oriental, Australasian and South African trades so as to make it possible for them to render a service equal in quality to that which is enjoyed by European exporters and importers. Something more than the revision of the navigation laws is necessary, for such revision could not and ought not to be so severe as to eliminate the full difference between the operating costs of American and foreign vessels. Funds paid to a limited number of lines operating under definite government contracts which require a service of agreed frequency, rapidity, and general excellence would do much to enable the American exporter of manufactured wares more readily to compete in the most promising of the world's markets. The experience of foreign countries has made it clear that subsidies paid under contract make possible steamship services better than the traffic of the moment

warrants, the subsidized vessels acting as a means of promoting trade—as trade pioneers and not only as transportation vehicles. The appointment of a federal shipping board to make detailed recommendations as to the revision of the navigation laws and to administer the subsidy policy so as to guarantee its effective application would do much to promote the future trade and shipping of the United States. Assistance of this kind would do more to build up an American merchant marine than the policy of government ownership of steamships. Such a policy would have a discouraging effect upon private steamship companies and would probably in the long run tend to check rather than promote the growth of American shipping. It is doubtful, moreover, whether in the absence of private incentive the government-owned vessels would be operated as efficiently as government-subsidized but privately owned steamship lines. The most effective sphere of government activity is to regulate and assist rather than to undertake the actual operation of merchant vessels. (3) American vessels and their cargoes should be protected against foreign seizure or detention to the full extent that international law permits. The value of this protection may seem less permanent than the other remedies which have been suggested, because vessels and cargoes are seized or detained only when nations are at war; but who can tell how long the present conflict will continue, and what guarantee is there that others will not occur in the future? The enforcement of the policy regarding the "freedom of the seas" as announced in the note addressed to Great Britain on October 21, is essential to the maximum growth of American shipping and foreign commerce.

The legislative program might also include a modification of the anti-trust statutes in such a way as to permit industrial or commercial concerns to combine in the conduct of their export trade. Small as well as large American concerns could then more readily obtain a fair share of the foreign trade; joint marketing organizations could be more readily developed; and competition could be directed against foreign competitors instead of against domestic rivals.

When unwise legal restrictions have been removed and adequate steamship facilities have been provided, it then behooves the private interests engaged in the foreign trade to promote their foreign transactions in every way that they legitimately

can. These interests include not only the manufacturers and other producers, and the various types of export and import merchants, but also the country's banks and the investing public. The establishing of foreign branch banks greatly facilitates international settlements and the extension of needed credits, and should also do much to encourage the foreign investment of American capital. That foreign trade follows investment has become a trade axiom. As was stated by the chief of the bureau of foreign and domestic commerce, which aims to assist in the development of the foreign trade, "It is only through the investment of capital that foreign trade can be secured and held. If the United States is serious in her desire to develop foreign trade, she must lend; she must invest; she must buy foreign securities."

Considerable sums of American money have been invested in Canada, in Mexico, in the Central American countries, and in some of the West India Islands and it is not a mere coincidence that our relative trade position has been stronger there than in South American and Oriental countries. In South America and elsewhere the investment of American money has made but a bare beginning in comparison with what has been done by British and German investors. To increase our exports permanently it is necessary that extensive investments be made in the newer countries of the world; the railroads, street railways, mines, ranches, land companies, and other industries so financed will then encourage the purchase of American exports, just as British, German and other European investments have fostered the foreign trade of Europe. Moreover, investments abroad are essential to stabilize international exchange, for if the exports of the United States are to increase rapidly something must be done to balance the country's excess of exports over imports. I do not refer to the impossible temporary excess which exists at present, but to a safe and sane balance such as would probably result from the normal increase of the export trade in times of peace. This can be done in part by an increase in imports, but assuredly it is not the intention of American exporters to be governed solely by the purchase of foreign commodities. The excess of exports can also be covered in part by the repurchase of American securities now held in Europe, although the relief so afforded would last only until liquidation is completed. The ultimate solution is the purchase of foreign securities—the investment and reinvestment of American capital in the countries

where it is hoped to find the largest foreign markets for American exports. International trade in securities and in commodities goes hand in hand, and particularly is this the case in those commercially undeveloped countries whose trade the United States is anxious to acquire.

GOVERNMENT OWNERSHIP: PRIVATE OWNERSHIP[1]

War's revelation of the disadvantage of the almost complete dependence of United States foreign commerce upon carriers under belligerent flags stimulated sentiment for national policy effective to upbuild the foreign-going merchant fleet of the republic. Many proposals have been advanced. They divide into three classes: government ownership and operation; government aid in the form of subsidies or guarantee of bonds of shipping enterprises; and the complete removal of all legislative restrictions to the end that the American merchant fleet may build itself up by free and economic competition in world trade.

Government Ownership and Operation

On September 4, 1914, Representative J. W. Alexander, chairman of the Committee on Merchant Marine and Fisheries of the House of Representatives, introduced a bill (H. R. 1866), providing for government ownership and operation of merchant vessels in the foreign trade of the United States. This bill had the approval of the Wilson administration and represented its policy for the relief of the situation caused by the partial collapse of ocean transportation on account of war and for upbuilding the American merchant marine.

The bill, somewhat amended, was passed by the House, but firm antagonism to the principle of government ownership prevented its coming to a vote in the Senate, although it was long and vigorously debated. Party lines were broken, certain Democratic Senators opposing the bill. When the Sixty-third Congress adjourned *sine die* on March 4, the bill was dead. During the recess and before the meeting of the Sixty-fourth Congress, it was made known in Washington that the administration would again press the government ownership policy.

[1] Ocean Shipping. p. 93-118. Copyright, 1915, by the National Foreign Trade Council.

First Bill Fails in Sixty-third Congress

The government ownership bill was variously urged as a relief measure and as a permanent policy but can perhaps best be described in the terms of a substitute bill introduced in the Senate on January 26, 1915, by Senator Duncan U. Fletcher in behalf of the Committee on Commerce and on which the Senate became deadlocked.

The bill proposed that the policy of government ownership and operation should be carried out by a Shipping Board, consisting of the Secretary of the Treasury, the Secretary of Commerce and three additional members, two of whom should be of practical experience in the management and operation of steamships in the foreign trade, which board should subscribe to 51 per cent of the capital stock of a corporation to be organized by it under the laws of the District of Columbia.

It was provided that the corporation should "have for its object the purchase construction, equipment, maintenance and operation of merchant vessels to meet the requirements of the foreign commerce of the United States, or to charter vessels for such purposes, and to make charters or leases of any vessel or vessels owned by such corporation to any other corporation, organized under the laws of a state, a majority of the stock being owned by citizens of the United States, firm or individual, citizen or citizens of the United States, to be used for such purposes, and shall have power to carry out said objects and purposes: Provided, That the terms and conditions of such charter parties shall first be approved by the Shipping Board, the initial capital stock of which corporation shall not be over $10,000,000, of the par value of $100 per share."

It was also provided that the stock owned by the United States should be voted by the Shipping Board, that the United States should never hold less than 51 per cent of the stock of the corporation and that the stock, so long as the United States owned it, should be free from all public taxes.

Method of Operation

The creation of the government owned and operated fleet was sought through the issue of Panama Canal bonds to a total amount not to exceed $30,000,000 for the purpose of purchasing or constructing vessels.

The operation and financing of this government owned fleet

was described in Section 3, which provided that the vessels so constructed were to be operated by corporations in which the United States had become a stockholder, the government being secured by a first mortgage lien upon the vessels and by 4 per cent gold bonds of such corporations. Unless the vessels bought or chartered by the Shipping Board should have been built in the United States, they were not to be permitted to engage in coastwise trade.

Section 7 provided that with the approval of Congress, the Shipping Board might sell the stock owned by the United States.

Section 8 provided that naval auxiliaries suitable for commercial use and not required by the navy in peace, and similar vessels belonging to the War Department, and those owned and operated by the Panama Railroad Company, might be chartered or leased or transferred to the government corporation proposed to be created.

Section 9 provided authority for the President to use any of the ships owned, leased by, or otherwise in the possession of the government corporation, as naval auxiliaries, at a reasonable price.

Shipping Bill Reintroduced

On January 31, 1916, Mr. J. W. Alexander, chairman of the Committee on the Merchant Marine and Fisheries of the House of Representatives, introduced a new government-shipping bill (H. R. 10,500). On May 9 the majority of the Merchant Marine Committee favorably reported as a substitute H. R. 15,455, described below.

Substitute Shipping Bill (H. R. 15,455)

On May 8, 1916, Mr. Alexander, chairman of the Merchant Marine Committee, introduced in the House a substitute bill representing the committee's work on the two previous bills, H. R. 10,500 and H. R. 14,337, which new bill was introduced to replace.

The new measure (H. R. 15,455) opens with a definition of the term "common carrier" and stipulates that no corporation, partnership, or association shall be deemed a citizen of the United States "unless the controlling interest therein is owned by citizens of the United States, and, in the case of a corporation, unless its president and managing directors are citizens of

the United States and the corporation itself is organized under the laws of the United States, or of a state, territory, district, or possession thereof."

Sections 2 and 4 deal with the organization of the Shipping Board, which is to be composed of the Secretary of the Navy and Secretary of Commerce as members ex-officio, and five commissioners to be selected and appointed by the President, who shall be selected with due regard to their fitness and to a fair representation of the geographical divisions of the country. Not more than three commissioners shall be of the same political party, no commissioner shall be in the employ of or hold any official relation to any common carrier subject to the provisions of the act, nor be engaged actively in any other business or employment. The salaries of the commissioners are to be $10,000 per annum.

The board is authorized (Section 5) to have constructed in American yards and navy yards or elsewhere (giving preference, other things being equal, to domestic yards), or to purchase, lease or charter vessels suitable, as far as the commercial requirements of the marine trade of the United States may permit, for use as naval auxiliaries or army transports, or for other naval or military purposes.

Section 6 authorizes the President to transfer to the board vessels not in use by the army and navy, and also vessels of the Panama Railroad Company not required for its business.

Sections 7 and 8 allow the board to charter, lease or sell to any person a citizen of the United States, any vessel so purchased, constructed, or transferred. When vessels belonging to the board become unfit for use they may be sold at public or private sale free from the conditions and restrictions of this act.

Under Section 9 vessels purchased, chartered or leased from the board may be registered or enrolled and licensed as vessels of the United States, with the proviso that foreign-built vessels heretofore or hereafter admitted under the Act of August 18, 1914, or under this act, and vessels owned, chartered, or leased by any corporation in which the United States is a stockholder (except the Panama Railroad Company) may not engage in the coastwise trade of the United States, except that such vessels may engage in trade with Alaska, Hawaii or Porto Rico, whether or not en route to or from a foreign port, if the board finds

any such trade is not being adequately served by a regular line or lines. Such vessels while employed as merchant vessels shall be subject to all laws, regulations and liabilities governing merchant vessels, whether the United States be interested therein as owner, in whole or in part, or hold any mortgage, lien, or other interest therein. No such vessel, without the approval of the board, shall be transferred to a foreign registry or flag or sold; nor, except under regulations prescribed by the board, be chartered or leased.

In case of war no American vessel may be sold or chartered to foreigners except by permission of the board. Failure to observe these rules entails forfeiture of vessel to the United States and a fine of not more than $5,000, or imprisonment of not more than five years, or both.

In Section 10 provision is made for taking over vessels in time of war or national emergency in the usual manner by appraisal.

The board is authorized by Section 11 to form one or more corporations for the purchase, construction, equipment, lease, charter, maintenance and operation of merchant vessels in the commerce of the United States. Total capital stock not to exceed $50,000,000. At the expiration of five years from the conclusion of the present European war the operation of vessels on the part of any corporation organized by the board shall cease and the said corporation stand dissolved. The vessels and other property shall revert to the board, and it may sell, lease or charter such vessels and deposit proceeds in Treasury to its credit. Stock of such dissolved corporations to be taken over by board at a fair and reasonable value.

Section 12 provides for the taking over of vessels operated by the board as naval auxiliaries.

Under Section 13 the Shipping Board is charged with the duty of investigating the relative cost of building vessels in the United States and in foreign maritime countries, as well as the relative cost and disadvantages in operation. It is to study the navigation laws and regulations thereunder and make recommendations to Congress for the amendment, improvement and revision of such laws and for the development of the merchant marine. It is to investigate the legal status of mortgage loans on vessel property, with a view to means of improving the security of such loans and of encouraging investment in American shipping.

Section 14 authorizes the issue of Panama Canal bonds not to exceed $50,000,000 for the purpose of conducting the operations of the Shipping Board. (Under Section 35 $100,000 is appropriated for the preliminary expenses of the board during the fiscal year to June 30, 1917.)

Sections 15 to 34, inclusive, deal with common carriers, agreements among carriers, rebating, filing of rates, etc. These sections are substantially a repetition of the provisions of Bill H. R. 14,337.

Section 15 forbids common carriers by water (1) to "pay, or allow, or enter into any combination, agreement, or understanding, express or implied, to pay or allow, a defered rebate to any shipper"; (2) using a fighting ship, either separately or in conjunction with any other carrier, through agreement or otherwise; (3) to retaliate against any shipper by refusing space accommodation when such is available, because such shipper has patronized another carrier or has filed a complaint charging unfair treatment, or for any other reason; (4) making any unfair discrimination with any shipper based on the volume offered, either in the matter of despatch, proper loading or adjustment and settlement of claims. Violations of any of these counts is punishable by a fine of not more than $25,000 for each offense.

Section 16 requires common carriers by water or other persons subject to this act (1) to file with the board a copy, or, if oral, a true memorandum, of any agreement with another carrier concerning rates, accommodation, pooling, apportionment of earnings, losses, sailing agreements, etc.; (2) the board may disapprove, cancel or modify such agreements if it finds them discriminatory as between carriers or shippers, or detrimental to the commerce of the United States; (3) agreements existing at the time of organization of the board shall be lawful until disapproved, but new agreements (4) are unlawful except when approved, all such agreements (5) being exempt from the terms of the Anti-trust Acts of June 2, 1890, and August 27, 1894, and amending acts; (6) violations of any provisions of this section are punishable by a fine of $1,000 for each offense.

Section 17 forbids common carriers (1) to discriminate in favor of locality, person or particular traffic; (2) to give transportation at less than regular rate by false billing, classification, etc.; (3) to influence marine insurance underwriters against a competing carrier.

Section 18 binds carriers to such rates as are not prejudicial to American exporters as compared with their foreign competitors. The board is authorized to correct such discrimination and to prescribe just and reasonable practices relating to receiving, handling, storing or delivering property.

Sections 19 and 20 relate to common carriers in interstate commerce.

Section 21 forbids the giving of information by the carriers which may be used to the detriment of a shipper's business, except under legal process.

Section 22 defines the powers of the board with regard to the filing of reports by common carriers. Failure to report when ordered may result in a fine of $100 for each day of default, and a fine of $1,000 and one year's imprisonment, or both, may be imposed for falsification or destruction of such reports.

Sections 23, 24, 25, 26, 27, 28, 29, 30 and 31 regulate the filing of complaints with the board and define the mode of reparation for injuries, investigations of claims, prosecution of delinquents, etc., while Section 32 provides a fine of $5,000 for violations of the act not otherwise specified as to penalty. Section 33 stipulates this act shall not be construed to affect the jurisdiction of the Interstate Commerce Commission or to apply to intrastate commerce, and Section 34 maintains the constitutionality of the remainder of the act in case any section is declared unconstitutional.

AFFIRMATIVE DISCUSSION

WHAT CONGRESS HAS DONE TO BUILD UP AN AMERICAN MERCANTILE MARINE[1]

The total number of steamers owned by all the nations of the world on June 30, 1914, was 30,226, and the amount of the world's steam tonnage was 45,403,877 gross tons. Of this there were registered in the United Kingdom 8,587 steamers, totaling 18,892,089 tons, over 40 per cent of the total tonnage of the world. Under American registry were 1,076,152 tons—a little over 2 per cent of the whole. Since the outbreak of the European war approximately 9,000,000 tons of merchant shipping, about 20 per cent of the whole, have been destroyed, captured, commandeered or otherwise put out of the merchant service. The rates of freight were never so high, the profits of the business were never so great, the demand for tonnage was never so insistent and pressing as now.

How will the need be supplied? We are told that private capital is supplying it for this country, and, as evidence of this, our attention is directed to the increase of work in our shipyards. Let us see to what extent ships are being built to engage in foreign commerce and whether the necessities of our situation are being approached. Analyze the tonnage under construction in American shipyards, as recently reported, and you will find it comes substantially to this:

Merchants Vessels	
30 oil tankers, D. W. tonnage	264,935
3 molasses tankers, D. W. tonnage	17,400
8 colliers, D. W. tonnage	32,475
6 lumber steamers, D. W. tonnage	22,500
7 combination freight and passenger steamers, D. W. tonnage	26,200
13 freight steamers, D. W. tonnage	64,800

[1] Address by Duncan U. Fletcher, United States Senator from Florida, at the dinner of the Academy of Political Science, New York, November 12, 1915. Printed in the Proceedings. 6:1-27. October, 1915.

62	barges, lighters, scows, etc., D. W. tonnage estimated	50,000
7	sailing vessels, D. W. tonnage	13,620
7	tugs, D. W. tonnage	1,500
2	yachts, D. W. tonnage	1,800
1	floating hospital, D. W. tonnage	1,000
146	Total	496,230

Five of the oil tankers, 26,400 tons, are being built for foreign owners. Of the general cargo boats only two are intended for strictly foreign trade, to wit: one vessel being built for W. R. Grace & Co., and one for Hind-Rolph Coal and Navigation Co., although the latter may be used as a collier. This total tonnage is 14,000. I am considering the three boats built for Munson S. S. Co. and one for the New York and Cuba S. S. Co., as being intended for the Cuban service, which is generally regarded as coastwise trade, although technically it is foreign. The total tonnage of these four boats would be about 18,300 tons. Two of the cargo boats in the list are intended for the Great Lakes, two for Puget Sound and one for Delaware Bay. All the other general cargo boats are intended for the coastwise trade except a 9,000-ton vessel being built by the Union Iron Works for their own account, supposedly for speculation. It is very doubtful if any material number of the vessels built for coastwise trade could be used in the oversea trade because of insufficient bunker capacity, to say nothing of other features of their construction.

Under construction in American shipyards the total number of government vessels is 81, of which 69 are for the United States and 12 are for foreign governments. The cost of the work being done for the government is far in excess of the cost of the work being done for private owners. In addition to new work, our shipyards are doing repair work on 207 merchant vessels of all descriptions.

Out of all this extraordinary crowding of the yards the net result is that we have under construction three general cargo steamers intended for foreign trade, giving a total of 23,000 tons—considerably less than one-half the tonnage of one German vessel tied up in New York harbor, the Vaderland. Does this look as if private enterprise were taking care of the situation?

Compare what has been done in the United States with what was accomplished in some other countries—in Germany, for example. The whole sea-going steam merchant marine of Ger-

many is of iron and steel, and comprises a relatively large number of the largest, fastest and most powerful steamships in the world. The two largest, wealthiest and most powerful single steamship companies in the world are the Hamburg-American Company and the North German Lloyd. The former is opposed to any subsidy. The latter enjoys a subvention of insignificant amount compared to tonnage and service, and compared to what we pay under our mail contract law. Not until after 1880 did Germany begin to build her steamers. In 1870 it became imperative for the consolidated German Empire to build and equip a navy in its own shipyards. The demonstration there made gave the ship companies confidence and they began building at home, withdrawing most of their former patronage from the British constructors on the Clyde and Mersey. The merchant marine of Germany is under the general supervision of the Department of the Interior.

There are 7 German shipping companies, which together have a total of 3,510,000 gross registered tons. There are in all 43 German shipping companies with more than 20,000 gross tons each. The service has developed a specialty in the establishment of regular lines, and until the war there was line traffic connecting Germany with every part of the world possessing any commercial significance.

In return for the little aid that was extended to the North German Lloyd, the company agreed to (1) fix upon certain termini; (2) establish certain routes, with certain stops; (3) establish branch lines; (4) raise maximum speed to 13½ knots per hour and make all new steamers for this service not less than 6,000 tons; (5) pay heavy penalties for failure to carry out the contract. By this contract the foreign commerce, national influence and progress of Germany were carried to East Asia, Australia, East Africa and the Mediteranean, by separate lines.

The Hamburg-American Line alone, at the beginning of 1913, embraced 74 regular steamship lines. It owned 192 ships, with a gross registered tonnage of 1,254,000. In 1911 this line carried 403,000 passengers and 7,990,000 tons of freight. The next largest company, the North German Lloyd, at the beginning of 1913, possessed 133 ships, with an aggregate of 821,000 registered tons. In 1911 the line moved 514,000 passengers and 3,590,000 tons of freight.

On June 30, 1915, there were 2,794 vessels of the United

States of 1,813,775 gross tons registered for foreign trade. Of this number, 26 steamers of 147,070 gross tons belonged to the Standard Oil Company (New Jersey); 24 steamers of 113,243 gross tons, to the United Fruit Company; and 10 steamers of 48,271 gross tons, to the Steel Corporation; total for the three, 60 steamers of 308,584 gross tons. These totals subtracted from the general total above leave for all other owners, 2,734 vessels of 1,562,950 gross tons. One single German line in 1914 nearly equalled all our foreign trade tonnage.

The Standard Oil ships are tankers built particularly to carry oil in bulk, and their export trade is practically confined to oil. On the return voyage these steamers sometimes carry small amounts of miscellaneous imports. The United Fruit Company's ships are specially built ships with refrigerating apparatus, and their import cargoes into the United States consist almost wholly of bananas and other tropical fruits. They export from the United States large quantities of miscellaneous general cargo, and the company's steamers are the largest transportation factor in the export trade of the United States to the countries of Central and South America and the West India Islands, with which the steamers trade. Many of these steamers do a large general passenger business. They carried 700,000 tons of general export cargo from the United States last year.

As to the cargoes of the Steel Corporation ships, my understanding is that in addition to steel products and raw material for steel manufacture, these ships also engage in general commerce. I understand that they operate only a freight service to the west coast of South America and their only passenger boat, the Crofton Hall, to Brazil and River Platte ports.

The cargo boats of the New York and South America Steamship Company and the Crofton Hall are the only American vessels in the South American trade, excepting the United Fruit Company's ships to Colombia, which are generally classified with the Central American trade.

This is our situation, while for the year 1913-1914 our imports by water amounted to $1,737,708,653 and our exports to $2,047,759,859; and for the year 1914-1915 (ending June 30, both years) our imports amount to $1,526,269,412 and our exports to $2,466,356,063. Ships under British flag are our main reliance for enabling us to do this business. Yet such ships under existing conditions are likely at any time to be requisitioned for govern-

ment purposes, and the British government has recently materially increased its income taxes, of which ship-owners must pay their share, and this will be reflected in further increases to the present staggering freight rates. Again, the British government will not permit Americans to charter British ships. Did not the British government recently, through its Board of Trade, take its entire tonnage away from Argentina and send the ships to Australia for cargoes and thus paralyze Argentina's trade in meat with depressing consequences in other trade?

Our position, then, is one of abject dependence on foreign ships for carrying the great bulk of our overseas commerce. It is imperative that we inquire, How are we to build up, not merely a merchant marine, but an American merchant marine? Not by having American citizens investing in ships sailing under foreign flags and owing allegiance to foreign countries. Not by having Americans invest in ships flying our flag but really owned and controlled by foreign interests. Nor yet by having ships of American registry largely or wholly owned by American citizens but in combination with foreign lines which will have the power to parcel out the routes and the business and fix the traffic rates.

An American merchant marine means, if there be any sincerity in the name, merchant ships having American registry, controlled by Americans, operated by Americans, for Americans, independent of any supervision or influence by any other country or people. It should be ample in tonnage to carry the export and import trade of the United States. It should be operated efficiently and be forever free from foreign domination.

I do not know how this can now be secured except by governmental control. Even if individual enterprise could be developed sufficiently strong and effective to produce an adequate tonnage, privately controlled ocean transportation may serve the purpose today, and tomorrow may join foreign combinations in utter disregard both of investors and the public. The record of the past shows that this has frequently been done. That would mean that the United States, notwithstanding the nominal tonnage under its flag, was still dependent upon other nations for its ocean transportation. We ought to control our own.

As to private control, there are two great obstacles to contend with: First, the capital required to make even a small beginning runs into millions. Where is this capital to be had? Only great concerns like the Standard Oil Company, the United States Steel

Corporation and the United Fruit Company can find the means. They are able to build ships to carry their own goods to foreign markets. But the great number of producers in this country cannot do it, each for himself, nor form sufficient cooperation to do it. The capital required, I apprehend, will be found to be controlled by those interested in maintaining the situation as it is—with practically no competition.

Second, the independent line, when established, is in danger of being confronted with rebates and other practises which may drive it on the rocks of despair. Fighting ships of the combinations have operated heretofore in that enterprising way and are likely to be brought into the same service at any time.

In the New York World for September 25 last appeared statements, including one by F. B. Boulton, President of the Federal Forwarding Company, who quite circumstantially charged that "a triple combination" consisting of the British Government, the Netherlands Overseas Trust, and the Holland-America Line, is operating so successfully that the profits of the Federal Forwarding Company have been wiped out through the detention of their ships with valuable cargoes, even though the ships had been loaded and the manifests passed by British consular agents in the United States before the departure of the craft. Some independent companies charge that a fourth member, Lloyds', has been added to the combination. Mr. Boulton said: "My company is openly fighting this Holland-America Line. We are giving lower rates, and we could make money at these rates if it were not for the detention of our cargoes."

This shows how little chance the average American has who tries to get into the overseas steamship business in competition with these interests, and argues most forcibly that an American merchant marine for the overseas trades, as distinguished from the coastwise trades, can only be successfully inaugurated by the government.

Take another illustration. It appears that Brazil allows a reduction of duty of 20 per cent on American cement. That ought to insure us that trade. But what happened? A gentleman who has experience in that direction tells me:

> The Europeans by an aggressive propaganda in the press have educated South Americans to believe that North American cement is worthless, and as a result England, Belgium and Germany have controlled the markets of those countries for that article. Kraemer & Co., of Rio, re-

ceived samples of North American cement and decided to give it a trial. They ordered several thousand barrels which were distributed on arrival in Brazil and gave great satisfaction. As a result, Kraemer & Co. placed a big order for North American cement in the United States. The European cement manufacturers were not long in learning of this, and they immediately proceeded to arouse their governments. As a result, the foreign European lines, operating from New York to Brazil, immediately raised the freight rates on cement, absorbing the preferentials given by Brazil, causing the cancellation of the order for American cement, thus compelling the Brazilians to get their supply from England, Belgium and Germany.

This gentleman's view is:

This is only one of the many object-lessons which go to prove that reciprocity with South America, or any other country for that matter, amounts to nothing on paper, unless it is backed up by an American ocean transportation system owned and controlled by Americans and under the supervision of the government of the United States just as our railroads are.

This experience, typical of what may be expected under existing conditions, and the conclusions urged, should command consideration.

It would seem quite clear that we can no longer afford to be dependent upon others for practically the sole means of transporting our commerce. It is not unreasonable to say that their interests must control them, and we know their interests are not always our own. In times of national emergency certainly, and in ordinary times most probably, they will consider their interests first. There is no way we can care for the great and increasing foreign commerce of this country except by having in the hands of Americans the moving bridge between us and other countries. When foreign commercial competitors control the ocean transportation, what can the people of the United States expect?

Through lack of merchant vessels to carry its cotton abroad the South suffered a loss of over $200,000,000 last year. The farmers of the Northwest for the same reason suffered losses of millions. Phosphate could not be moved at all. Lumber and coal shipments were seriously limited. Our merchants and manufacturers likewise sustained heavy losses and thousands were out of employment who otherwise would have been regularly engaged if the United States had controlled ample fleets of American ships. On occasions we hear quite a little about our independence and freedom. On land the United States is a

full-grown man; on the sea, a child in a row-boat without a life-belt.

In transmitting the proceedings of the Pan-American Conference to the President, Secretary McAdoo says:

> There was unanimous opinion that two things are essential to the development of trade and improved relations between the Latin-American nations and the United States, viz.:
>
> 1. The granting by United States bankers and business men of ample credits to Latin America and the prompt provision of the necessary organization and facilities for this purpose.
>
> 2. The prompt establishment of adequate steamship facilities between the leading ports of the United States and South America which the conference, by resolution, declared "a vital and imperative necessity."

No one wishes to stifle or hamper private enterprise; but it would be folly to close our eyes to the facts, and it would be inexcusable short-sightedness not to profit by most trying experiences. Those who contend shipping should be left to private enterprise admit that the ocean tonnage of the United States registered for foreign trade has declined from more than two and a half million tons in 1861 (2,642,628) to a little more than a million tons (1,076,152) in 1914. This tonnage, by reason of additions under the Registry Act of 1914, on June 30, 1915, reached 1,813,775 gross tons. The amount of tonnage entering and clearing at seaports from and to foreign countries has increased, of course, many times since 1861. It is nearly three times as great as it was in 1887. Whereas American ships under our flag carried 65 per cent of our commerce in 1861, they carried 9.7 per cent in 1914. The vessels of one foreign country alone, Great Britain, carried 53.7 per cent.

With these facts conceded, it is difficult to follow the logic of the argument which commits us to the course heretofore pursued as the best or the acceptable method of building up our merchant marine. The irresistible conclusion must be that by pursuing that course our flag will inevitably vanish from the seas, as it has been gradually doing during the past fifty years.

Our tonnage engaged in coastwise and inland trade has steadily increased for many years. On the Great Lakes especially is employed a fine and powerful merchant fleet—610 vessels of 2,352,264 tons. Its development has been most gratifying and it is pleasing to note, that without any subsidy or subvention of any kind, there we have an example of the cheapest and most

efficient means and method of taking care of water-borne commerce in the world. None but American ships can engage in this coastwise and inland trade, and these are exempt from tonnage dues. This has always been our policy and the law. We have no serious problem regarding our coastwise and inland service. There is no complaint of insufficient ships or inadequate service.

In speaking of merchant marine here, we have reference to merchant ships engaged in the overseas trade. What laws affect these? We hear it averred by people who plainly do not know what our navigation laws are that they are antiquated and constitute a large factor in causing the decay of our merchant marine. The challenge to point out such laws has been met by silence or meaningless generalization. It is true that selfish interests did begin to make themselves felt in the making of the constitution, and subsequently in absurd laws. Later those who, in a mistaken way, thought they should benefit the shipyards, no matter at what cost to trade and commerce, by creating monopoly and giving high protection for their benefit, did write into statutes provisions which had the effect of harming the special industry they were aimed to benefit and seriously injuring shipping.

But away back in 1880 began a crusade to do away with these laws, and gradually as their bad effects became apparent, they have crumbled, until today the only feature of our navigation laws designed solely to protect shipbuilding and establish monopoly which remains on the statute books is Section 4347 of Revised Statutes, providing that foreign-built vessels cannot engage in the coasting trade of the United States. Even this does not, of course, affect the American merchant marine in the foreign trade.

Our first registry act (the eleventh law passed by the American Congress) was passed September 1, 1789, and restricted American registry to ships built in the United States or ships not built in the United States but belonging to citizens of the United States on May 16, 1789. On December 31, 1792, Congress passed a registry law, more elaborate in detail, taking the place of the first and maintaining the same essential principles, excluding foreign-built ships from American registry. That was changed in 1912 and completely repealed in 1914, so that ships may be built or purchased anywhere and admitted to American

registry for foreign trade, but, as heretofore, ownership of American ships is restricted to "citizens of the United States, or a corporation organized under the laws of the states thereof." But this has been held not to prevent foreign capital to an indefinite extent being invested in a corporation owning American ships.

Other laws provided that the master of an American ship, and all the officers in charge of a watch, including the pilots, must be American citizens. In 1914 Congress authorized the President by executive order to suspend this requirement for a period of seven years, which he did.

Since 1871 foreign materials for shipbuilding have been admitted free of duty. Since 1909 such materials, as well as all articles necessary for the outfit and equipment of ships, have been duty-free, with this proviso, that vessels receiving these rebates of duties "shall not be allowed to engage in the coastwise trade of the United States more than six months in any one year," except upon payment of the duties remitted; and that vessels built for foreign account and ownership shall not engage in this trade. The Panama Canal Act of 1912 and the Tariff Act of 1913 provide for free materials and equipment for ships in the coastwise trade as well as the foreign trade.

The Tariff Act of 1913 (Paragraph J, Subsection 6) provided for a reduction of duties of 5 per cent on all goods imported in American bottoms. This provision is in question in the courts.

The only other law I can recall which might be cited as bearing on the subject is what is known as the Seamen's Law, passed in 1914, going into effect November 4, 1915, as to vessels of the United States, and March 5, 1916, as to foreign vessels, except such parts as conflict with treaties or conventions, and those take effect on the expiration of the period fixed in the notice of abrogation. This law is being vigorously assailed by shipping interests, but of course it has neither helped nor hindered American shipping in the past. It contains twenty sections. Shipowners insist on amendments changing one section and striking out three. Sixteen sections are generally approved. But we hear very little of anything good in the law. I will refer to this law later.

For some years past steel ships have been purchased more cheaply abroad than at home. American capital purchased ships

abroad and operated them under foreign flags. This was done by forming corporations in foreign countries—Americans holding practically all the stock—because all countries have required that the owner shall be a citizen or subject of the country whose flag the ship flies. The corporation, organized under the laws of a country, is regarded as such citizen or subject. Foreign-built ships owned by Americans in fact, but of record by foreign corporations, have about equaled in tonnage ships registered under the American flag for foreign trade.

The Democratic national platform in 1880 declared for "free ships and a living chance for American commerce on the seas and on the land." The Panama Canal Act of 1912 was the first firm, direct step in the accomplishment of this end. Even under that, after many years of effort in that direction, only foreign-built ships less than five years old, owned by Americans, were enabled to raise their own flag. Section 5 of the Panama Canal Act of August 24, 1912, allowed foreign-built vessels, steam or sail, certified by the steamboat inspection service as safe to carry dry and perishable cargo and not more than five years old, to be registered for foreign trade, including trade with the Philippines, Guam and Tutuila.

In March, 1914, before there was even a rumor of a European war, Secretary Redfield asked for the passage of the Registry Act of August, 1914, which eliminated that limitation as to age and affirmed in full the traditional Democratic policy. This measure, enacted and put into operation during the present national administration, has been a distinct and undisputed success. It has brought, as already stated, our tonnage registered for foreign trade from 1,076,152 tons on June 30, 1914, to 1,813,775 gross tons in 1915. Of course this does not mean that that much new tonnage has been built or acquired during that time by American owners. Most of this increase resulted from the transfer of American-owned ships from foreign to American registry, which the Registry Act allowed.

The act of June 28, 1864, provided that "officers of vessels of the United States shall be in all cases citizens of the United States." Many vessels, otherwise eligible to registry under the acts of 1912 and 1914 above mentioned, carried officers who were not citizens of the United States, and these vessels desired to take American registry. The Dollar Line, with English officers, was among those desiring to qualify. Accordingly,

pursuant to Section 2 of the Ship Registry Act of August 18, 1914, the executive order of September 4, 1914, was issued permitting alien officers on ships admitted to registry to serve until September 4, 1921.

It has been charged that our plan of tonnage measurement is unfair to ships under our flag. This, like certain other criticisms of the laws, is without justification. There is no need of any new legislation on that subject. The Commerce Department has made regulations practically adopting the British regulations as to measurement, so there is now no adverse discrimination in tonnage dues.

Someone may ask, "What about the Seamen's Law which went into effect on the 4th of this month?" I will give a few facts about that law. It has been so roundly abused, in large part, if not wholly, unjustly, that great prejudice has been created against it. The mere mention of it has got to be as alarming as the mark of the beast in Revelation. It certainly has some admirable provisions and apparently few objectionable ones. Perhaps these can be improved or eliminated. It would have been fair to wait until the Department of Commerce had construed it and adopted regulations under it before indulging in violent denunciation. While we are getting it into operation and seeing how it works, it may help the patience of our friends, the ship-owners, to reflect on the old teaching of the vikings that "whoever was never wounded was never happy."

It has been claimed for years, I believe, that by reason of some laws or regulations respecting seamen on our ships, the cost of operating under our flag is greater than under foreign flags. These laws or regulations have to do with the number, the accommodations and the food of the crews on each ship. It is also claimed that American crews demand higher wages than crews on foreign ships. It is now claimed that the Seamen's Law will increase this difference in operating expense to our disadvantage.

In the first place, I have no sympathy with those who ask that sailors on American ships be put on a level as to wages and treatment with the seamen of certain other countries. In the next place, if we are to ever have a naval reserve, we should have trained seamen to man the vessels. We must make it worth while for our young men to go to sea. In time of

trouble it would be a hazardous situation for us to be dependent on foreigners to man our vessels and fight for our flag. Their native land might be involved and such seamen might refuse or do worse. Suppose the Seamen's Law does subject the lines to some extra expense; they could scarcely feel it. Refer to the statement in the New York Journal of Commerce of October 27 last, under the heading "Mercantile Marine Makes Large Gain in Earnings." Among other things, it says: "At the current estimated rates of earnings the International Mercantile Marine net profits are between $65,000,000 and $70,000,000 per year."

The wages of crews for American ships cannot very well be reduced by any legislative act. The only practical alternative is to endeavor by legislation to make a free market in American seaports for the hiring of seamen. Heretofore, if a seaman arriving in an American port on a foreign ship left the employ of his ship, he was arrested as a deserter and returned to his ship. This sort of servitude exists in no other vocation. The Seamen's Act does away with this. Hereafter, seamen arriving in American ports may leave their employment without fear of arrest, though they will forfeit half their wages. This great addition to the supply of available seamen for American ships must tend to reduce the seamen's wages on American ships, if unduly high. At the same time, it will cause owners of foreign vessels to increase the wages of their seamen to keep them from leaving. As a result, seamen's wages on American vessels and foreign vessels will become equalized. I find that the strongest objection to the Seamen's Act on the Atlantic coast comes from foreign shipping interests. As to the action of the Pacific Mail abandoning their trans-Pacific service, it would take too much time to go into the subject fully, but I may assure you that there is nothing in the Seamen's Act which necessitated their action. Mr. Justus Wardell, surveyor of the port of San Francisco, has just made a report in which he shows that on every trip which the Pacific Mail steamers "Mongolia" and "Manchuria" made, the Pacific Mail Company cleared $128,000 net. Each of these steamers made about eight trips a year. Surveyor Wardell reports that a Pacific Mail official stated to him that compliance with the Seamen's Act would have necessitated changes in the engine-room only. These changes, Surveyor Wardell reports, would have cost the Pacific Mail only $1,000 a month

extra. Figure it out yourself. Net annual profits of each ship, $1,024,000. Increased cost of operation on account of the Seamen's Act, $12,000. The fight on the Seamen's Law assumes the attitude of a contest between the decent instincts of man and his gainful appetites. There are those who say that the Pacific Mail quit because they had to make good on their original announcement in view of the furore that the press had made over it. At any rate, they were able to cash in a good big profit on the transaction, sufficient to more than double the market price of the company's stock. It is said that one of these ships loading on the Pacific Coast will earn two-thirds of her cost on the single voyage to Europe. Although they absolutely abandoned their patrons who furnished all the business they could take care of and turned the bows of their ships from the Pacific to the Atlantic, sold and transferred them, they are still operated under the American flag, and the Seamen's Law applies as well in one ocean as the other. This kind of thing emphasizes the view that we are confronted with an absolute necessity that some agency shall right now provide steamship service under our flag between the United States and foreign countries.

It will not be denied that we have today—and they may pass soon if not taken advantage of—marvelous opportunities for extending our trade throughout the world. When gentlemen say that our laws and regulations deter or stand in the way of recreating a merchant marine; when they say that they have been forced to give up the Pacific entirely and that they cannot compete on the ocean with foreign lines, all they say but furnishes unanswerable argument that it is the duty of the government to step in and supply the ocean transportation facilities which it is of vital interest to the whole country should be had and maintained. We get the trade we want by going after it. We can make and sell in the foreign markets of the world, when transportation facilities are provided at reasonable rates, just as good articles for as little money as any other country. No individual country need dominate the seas. Our export trade should materially increase with the Orient and Latin America, and it will if ships flying the American flag are put in operation to open up the routes and maintain a permanent and proper service.

Is a great, powerful, rich country like the United States to

surrender to a combination of shipping interests, throw up its hands, and confess itself absolutely helpless and hopeless, and unable to keep its flag on the seas, to protect its commerce, to take the surplus products of its fields, mines and factories to the waiting markets of the world, there to exchange them for the things we need in those markets, settling the balance in bills on our financial centers, expressed in dollars and cents? For fifty years we have hoped that individuals would engage in that most profitable business with American ships. Our chief investors in shipping have solemnly said that "free ships" would not induce them to give their ships American registry under normal conditions. Although the legislation for free ships will help, as it has already helped, when peace is restored our flag will be hauled down on many vessels, we are told; and if that be true, our problem will remain unsolved if we rest where we are.

We have noted that our exports increased this year over last. We have observed that our shipyards are working to capacity. We have seen American tonnage increase since the Registry Act of 1914 went into effect, and the percentage of commerce carried in American bottoms increase. But we must face the facts, on the other hand, that our imports have decreased; that over $700,000,000 of our exports are solely for war purposes. Freights have gone mountain-high and in some instances are prohibitory—instance phosphate, coal, lumber and other products. Some of our products cannot be moved at all over sea where the markets are. Our yards are busy mainly with naval work, and very little new construction of merchant ships for foreign trade is going on. The world's ocean tonnage has greatly decreased. Export of "regular merchandise" for the year ending June 30, 1915, is nearly $200,000,000 less than in 1914. To North America the decrease was 52 millions, 10 per cent; to South America, 25 millions, 20 per cent.; to Oceania, 6 millions, 7 per cent. The present year, it is claimed, we have exported only 32 per cent as many agricultural implements, 52 per cent as many sewing-machines, 33 per cent as many steel rails, as we did in the year before the war. The figures show, too, that we are actually losing our exports to the neutral countries faster than to the belligerents.

However, the trade is not only ready for us, but insistent.

If we had the carriers now our foreign commerce would enormously increase. This is shown by the comparison of the exports for the eight months ending August 1915, with those of the eight months ending August 1914, which ought to be mentioned in connection with the estimate for the year just given. The strong tendency is for our exports of "regular merchandise" to assume normal proportions even now. For instance, in the exports to Europe in the eight months last mentioned there was an increase of 857 millions, 109 per cent; to North America an increase is shown of nearly 3 millions; to South America, an increase of 21 millions, 32 per cent; to Asia, a gain of over 28 millions, 46 per cent; to Oceania, an increase of 12 millions, 24 per cent; to Africa, an increase of 5 millions, 31 per cent. The total of our exports grew 920 million dollars in these eight months, or 70 per cent.

Do not doubt, however, that our exporters are paying foreign ship-owners dearly for this business. The rate on grain to Liverpool is 40 cents a bushel, while before the war it was 4 cents. The rate on flour has gone from 12 cents to 65 cents a hundred pounds. On provisions the rate is increased from $5 a ton to $1 a hundred pounds. On cotton the rate is $1.25 where formerly it was 20 cents a hundred pounds. Eastern railroad terminals are congested, due to lack of ships. Freight continues to pile up at the ports. No law controls ocean rates. We may expect to pay foreign shipowners their own price, and that price will be higher yet.

Once upon a time Illinois owed millions to Europe; she could not pay because her chief means of raising money, the grain crop, could not avail for the reason that there was lack of cheap transportation; and again, foreign corn laws excluded her wheat from a market in the land of the creditors. Repudiation was threatened, but with rugged honesty, by persistent industry, after a time the debts were fully paid.

Our markets can be restricted or eliminated without resort to import laws—control of the means of transportation is sufficient. The welfare of our producers is in peril, the necessary equipment of the nation itself is incomplete when we are dependent on foreign vessels to reach markets. The government can bring about public control of terminals. It can do away with the differentials complained of. It can regulate rates on the ocean to a great extent. It can arrange for through bills of lading and

reasonable traffic agreements with connecting land carriers. All of these matters which have been mentioned as needing correction can be remedied—matters which individuals cannot reach and which materially affect the water carriers.

The same provision that the government would work out through the shipping board for the ships under its control it would assist in arranging for all other lines. I cannot escape the strong conviction that our problem can be solved only along the lines of the amendment to S. 6856 offered January 26th last. I do not mean to take an arbitrary position. If anything better is proposed or any modification is suggested that reasonably promises to improve existing conditions more certainly and speedily, to serve the ends of jutice for all concerned, to take care of the public interests and achieve the common good, I should lend it what support I could.

We have seen what the situation is. Although the minority report on the Ship Purchase Bill (S. 6856) argued that there was no occasion to be disturbed, that really a let-alone policy was probably the wisest after all, in effect that there was no call for Congress to do anything, I think it may be agreed that there is widespread demand for resuscitating our merchant marine. The truth is, delaying action thus far by filibustering to death the bill before the last Congress has resulted in a loss of hundreds of millions of dollars to the people of the United States in extortionate freight charges and loss of commerce.

The records show that enormous profits were made in foreign shipping before the war. No doubt foreign shipping people will continue to charge American merchants the last cent the traffic will bear. Even before the European war there was no certainty or stability about rates on bulk freights. Since then contracts have been violated, agreements disregarded, quotations ignored and charges fixed (irrespective of previous agreements) at whatever the shipowners chose to name.

The cry of socialism and paternalism has been raised. A mere name, however violently shouted, does not frighten me. That cry has been raised before. Paternalism and socialism were shrieked when other legislation which put the government into private business and which the people would not countenance repealing now, was proposed and enacted. I might mention as attacked on similar grounds the postal savings law, the parcels-post law, the rural free-delivery law; even the five acts in refer-

ence to agricultural education, establishing agricultural colleges and providing for agricultural extension work; respecting the Panama railroad and steamship line which was taken over by the government; providing for the construction by the government of a railroad in Alaska; even the measure for building of dams for power and irrigation purposes, the government manufacturing its own cement. The bill to establish the federal reserve system was criticized on similar grounds; also the law creating a bureau of marine insurance in the Treasury Department of the government, without which most of our export trade since the war would have been impossible. Similar protests and dire predictions were heard when the interstate commerce commission was established under the administration of President Cleveland in 1887. Railroad authorities themselves pay high tribute to that great commission, and I think it is quite universally conceded that it is an absolutely necessary portion of our governmental institutions. Legislation definitely creating a permanent merchant marine will enable the American people to assert and protect their rights and interests in the vital matter of ocean transportation and overseas trades—and I know of no other way of reaching that point or accomplishing that result.

There is no use to discuss subsidy. It so happens that the United States now grants to four ships a larger subsidy, about $750,000 a year, than is granted by any other country in the world for similar service. The favorable mail contracts now provided for by law are the only subvention the government will give. It is remarkable how futile these have been in the building up of our merchant marine.

Contrary to general impression, the merchant marine of the maritime nations of the world receives no subsidy. Mail subvention for fast mail and passenger service, yes; but a subsidy such as some of the opponents to the government merchant marine ask for, no; the great bulk of the world's ocean commerce is carried in the lowly "tramps" or non-passenger cargo boats, which never received one cent of subsidy from any country. It can be shown that the normal profits of ocean steamers are so large that it is absurd to talk of subsidies as a remedy for our shipping plight. Since the facts are becoming better known, those who advocate subsidy are becoming fewer in number.

I believe I have made clear that none of the remedies advanced by opponents to a government merchant marine will do. Our present navigation laws are not at fault; subsidy is out of the question; and private capital will not or cannot provide an adequate American mercantile marine for the overseas trade.

The only objections I have heard advanced against a government merchant marine are three: First, it is socialistic. I believe I have answered that.

Second, it will check private enterprise from going into the overseas shipping business. What has private enterprise done in all the years past towards building up an American merchant marine? Practically nothing. Three ocean carriers under construction in a year and a half just past, when our trade was distressed for ships, is what individual or private enterprise has given us. From the standpoint of supplying the demands of commerce and trade, from the standpoint of the needs of the army and navy, from the standpoint of taking our rightful place on the seas, from the standpoint of urgent national necessity, the call is for mail and cargo ships, convertible as may be required into auxiliaries and transports. There is no way open to us but for the government to lead off right now in responding to that call. The government will never encroach on any routes that are being taken care of by private steamship lines, under the American flag.

Third, it is said that the government merchant marine will be a financial failure. I am afraid that is just what many who oppose the measure fear it will not be. I am assured by practical steamship people that it will be almost impossible for the government merchant marine to lose money; that the profits in ocean shipping are so large in normal times, and particularly so at present, that it is inconceivable that any shipping enterprise carried out on the scale this would be can lose money. On the contrary, I am assured that satisfactory profits can be earned after making very material reductions in freight and passenger rates. The reports of earnings of numerous steamship lines which I have seen fully bear this out.

The *Washington Post* of November 1 published a "special" from New York, which carried this statement:

> The mercantile marine of Great Britain has reaped such a golden harvest to its financiers as makes Arabian Nights' dream of wealth.

They have been allowed by the government to increase freights from 500 to 600 per cent, the complete removal of German competition from the high seas and the arbitrary regulation of American competition having given the Britishers an absolute monopoly. Old vessels which eighteen months ago could hardly have been sold at breaking-up prices of $50 or $60, have found ready purchasers at from $125,000 to $300,000, and in many cases have paid for themselves in a single voyage.

A large London importer of corn from South America, while gloating over his profits on freight rates, which have risen from 10 shillings per ton in the first half of 1914 to 75 shillings per ton at the present, considered it a matter of the highest importance that the government should take steps to prohibit any and all competition from neutral countries, especially from the United States.

The Cunard Company has paid a dividend of 20 per cent, despite the loss of the Lusitania, with consequent suits for damages by the families of the victims, which amounted to an enormous sum, and despite submarine perils, which at different periods practically cut off the passenger traffic on English ships from American ports. Frederick Leyland & Company are paying only their usual dividend of 10 per cent, but they have this year erased from their budget all arrears accumulated during the past three years. The Empire Transport Company acknowledges that its net profits for this year are an increase of 100 per cent over the net profits for the period from June, 1913, to June, 1914.

The London-American Maritime Company, organized in June of last year under the special protection of the British government, has earned in its first year dividends of 27 per cent on its ordinary shares, while the holders of preference shares get an additional 11½ per cent, or 38½ per cent.

The Journal of Commerce of October 28 last says:

American exporters as far as trans-atlantic trade is concerned, are facing a condition of acute congestion in shipping facilities and of unprecedently high ocean transportation charges. Ship owners are reaping a veritable bonanza.

Under date of October 27 last the Journal gives the statement of a railroad official that the railroads coming into New York are handling the largest amount of traffic in their history, and the congestion at terminals is likely to be the greatest ever seen, due to the inability of ship lines to move the freight sent to this city, "which is already sufficient to fill five times over every vessel available for export purposes."

With freight embargoes at Galveston and threatened at New York, can there be any doubt that the absence of ships is holding back the movement of our commerce? There is serious need of American ships in the Australian trade. This commercial situation is pressing and I have by no means exhausted it.

ARGUMENTS FOR GOVERNMENT AID[1]

The main arguments presented to the Commission in support of legislation for the revival of the merchant marine may be grouped under three heads. To begin with, it is asserted that the transportation of American imports and exports in American bottoms would mean an annual saving of about $200,000,000 now paid to the owners and operators of ships flying foreign flags. Most of this amount goes abroad, and thus constitutes a large drain on the resources of the country, whereas it might as well be kept at home and turned into the pockets of American shipbuilders, ship-owners and seamen. In the next place, it is contended that the rehabilitation of the merchant marine would be the means of extending American trade, through the opening of new channels of commerce and the discovery of new markets. A large merchant marine will mean greater competition and, hence, lower transportation rates. It will mean the establishment of new lines of steamers between the United States and parts of the world where the American flag is now rarely seen. To take a single illustration, our exports to South America are only about one-third of our imports, a condition mainly attributable to the lack of first-class steamship lines between the United States and those countries. There is not a single first-class line of American steamers between the United States and Buenos Ayres, although there are half a dozen lines between that port and European ports. The result is that the bulk of the imports of lower South America come from Europe and not from the United States. Lastly, and this is the most important argument of the subsidy advocate, the national defence requires the rehabilitation of the merchant marine. However powerful the navy may be in point of battleships, it is useless without colliers, transports, scouts, despatch vessels, etc. Is it not poor economy, the subsidy advocates ask, for the government to build these auxiliary vessels and maintain them in idleness when, by suitable encouragement, private capital may be induced to build them under conditions, which will make them easily convertible into war-vessels at slight expense, and available for the use of the government upon the outbreak of war? If they are neither constructed by

[1] From "Merchant Marine Investigation," by James W. Garner. North American Review. 180:360-74. March, 1905.

the government for the use of the navy, nor liable to impressment from the merchane marine, the government will be compelled to depend upon purchases in the foreign market. The impolicy of this was shown at the outbreak of the war with Spain in 1898. The government was conpelled to hunt the seas for transports and colliers, and after considerable anxiety and delay, it succeeded in purchasing or chartering some forty ships from foreign nations. The American vessels liable to impressment under the mail subsidy act were taken over by the navy without delay, but the number was inconsiderable. One line, which is a beneficiary of the mail subsidy to the extent of $200,000 per year, furnished the government with nine vessels and 500 seamen.

Besides furnishing the navy with auxiliary vessels, the merchant marine serves as a nursery of seamen. Whether built at home or purchased abroad upon emergency, war vessels must be manned by experienced and trained seamen. Unlike volunteers for the army, they cannot be drawn from the farm, the shop or the mine by proclamation. The weakness of the United States in this respect is well known. More than half of the seamen who sail under the American flag are foreigners, and only about 60 per cent of those who owe allegiance to the flag are native-born.

THE IMPERATIVE NEED FOR SHIPS OWNED BY AMERICANS[1]

Our merchant marine was never as large as to-day. The increase in it was never as large as in the last fiscal year. It is growing to-day faster than it ever grew before. We never needed ships as badly as we need them now. We never were more dependent upon foreign ships than we are now. Never did this dependence rest on a more shaky foundation. Never had we so much of a marine. Never did we suffer so much from lack of one. Never did we add to it so fast. Never was our helplessness to add to it sufficiently more marked.

A shipment of flour to Egypt is stopped at the dock because

[1] By William C. Redfield, U. S. Secretary of Commerce. Engineering Magazine. 50:661-5. February, 1916.

others need the ships that had contracted to carry it, and our shipper is helpless because of the war clause in his contract. When in normal dependence upon a contract another shipper forwards goods to your port for foreign transit, the vessel that was to take them is commandeered by its government, and our shipper protests in vain. In Brooklyn a large shipment is refused transit because the shipper has not signed a certain agreement having nothing to do with the goods which are refused. Even a shipment from New York to Manila (between two ports of the United States, it will be noted), is refused transportation unless the shipper will sign an agreement as to the nationality of the consignee.

You will observe that it is not a question of rates, or even in all cases of vessels, but rather than since we must depend on ships of alien ownership to carry our goods, it is clear that when the interest or the duty of those alien owners requires them to put their own necessities first, we helplessly stand aside. Just so far as these things go we are not an independent people. We do our trade by the consent of others when it pleases them to have us do it, as it pleases them to have us do it, and to the extent that it pleases them to have us do it, and under rules that they lay down. That is the condition in which we now stand. Until we shall get enough American ships we must accede to the necessities which may and now do impel alien owners of vessels to action hurtful to us.

In our export trade are two great divisions—the temporary and the permanent. It is our interest to promote the latter. It is to some extent the interest of our customers to promote the former. The farmer, the merchant, the mechanic, the miner are alike interested to have American commerce flow freely to all parts of the world where it wills to go, under the control of those in sympathy with it and whose duty it is to promote it. We have been a department store without a delivery system, depending on our rivals for the use of their wagons. Now there are fewer wagons than there were and our need for delivery is greater than it was. Our rivals, indeed, want us to use so many of their wagons as will take to them the goods they need. They do not care to have us use other of their wagons because they need them themselves in their business, and their business just at present is not our business and is more important to them

than our business is. So we are out of it in large part till we get wagons of our own. So much briefly for the need.

Our facilities are strained to meet it. On July 1 last we were building 76 steel merchant vessels in our shipyards. Between July 1 and December 1 126 had been ordered, making 202 in all, of a total of 761,511 gross tons. The construction of American merchant vessels now in progress or under contract is not only greater in tonnage than at any former time in the history of the United States, but this new tonnage is more efficient than the merchant ships constructed at any previous time in our history. Indeed there is competent authority for saying that the American freight steamer by reason of her design and equipment is a more efficient tool for transportation than her foreign competitor.

Despite the great past and present increase in our ocean shipping, we are yet sadly handicapped in our foreign trade, and much as we are doing we are still unable to seize to the full the opportunity at present offered us. Every craft that can by courtesy be called a ship is in service. The familiar coasting schooner is in the Mediterranean coal trade, and if there were more of them they could be so employed. The English merchant marine has either lost or is using for war purposes one-quarter its full strength, perhaps more. In a degree, the same is true of the other belligerent powers, and, of course, certain fleets are absent from the seas.

We have made some use and are making better use all the time of our opportunities during the war, and should Great Britain or Germany require their ships for their own restored trade when the war ends, we shall need American ships to do the larger business we are finding with neutral countries, unless we are content again to lie down and do this business as of old at the will of others and for such a time and in such a way as they wish us to do it. I take it, however, that the United States has gotten a larger vision than it had two years ago, and that by the extension of banks and other mechanisms of trade, it is reaching out more than it ever did into the greater world. I think this process will not be denied and can not be stopped and that we shall insist upon doing it where we please and as we please and for our own benefit though with due regard to the rights of others, and this means that we shall think it necessary to do it

in ships which, if there were difficulty anywhere, will be concerned to do things our way.

I have not touched yet upon another serious factor in this matter. Great Britain is using something like 3,000 ships as attendants upon her great war fleet. These are of many kinds but they are all merchant vessels, yet without them the war fleet would be helpless. When we sent one fleet of battleships around the world some years ago, we had to hire foreign vessels to keep them in coal and supplies. We do not make the navy to keep it in ports, but we have not the means, to be candid, to keep it long at sea. It would require about 900 ships of all kinds from the merchant service to keep it well supplied at sea, and we have not those ships. We have about 500 and that is not enough, and so our navy would have to leave its job and come home to get coal and supplies at the time when it was most needed at sea. That is, it would do this unless we get more ships. We need 400 more at least, and we ought to have them as soon as possible, and there ought to be no doubt about it. Observe that if we took all the vessels estimated to be available for this purpose, we should still be short 400.

We need, then, ships not alone for the present emergency, much as they are needed there, but for the maintenance of our commercial independence on the sea and for the support of our navy should it be required for our defense. How shall we get them? It is not a job to be delayed, for time is of its very essence, yet every private yard is full for about two years to come. They may be, I trust they will be, extended or multiplied, but it will be necessary to have some assurance of business sufficient to warrant the investment in so doing. We have a few government vessels capable of carrying coal or cargoes, which we cannot use for lack of lawful authority, else they might be doing useful work today for private commerce and, in some measure perhaps, tend to hold down the rates exacted of our citizens elsewhere.

WHAT CONGRESS SHOULD DO TO DEVELOP AN AMERICAN MERCANTILE MARINE[1]

The American merchant marine has apparently been the object of much solicitude by the great political parties of the United States. The Republican party in its national platforms from 1884 to 1912, every four years, has strenuously declared in favor of a revived merchant marine, the declaration in 1912 being: "We believe that one of the country's most urgent needs is a revived merchant marine. There should be American ships and plenty of them to make use of the great American oceanic canal now nearing completion." The Progressive party favors this policy. The Democratic party since 1880 through its national platform has declared its belief in fostering the growth of a merchant marine "which shall develop and strengthen the commercial ties which bind us to our sister republics of the South, but without imposing additional burdens upon the people and without bounties and subsidies from the public treasury."

Various plans have been proposed:

First, subsidies. The Republican party never has been able to put upon the statute-book effective subsidies because of its divided opinion and because of the opposition of the Democratic party, which has believed that subsidies would lead to public corruption and unjust and indefensible discrimination in favor of private interests against the public interest.

Second, discriminating duties. Congress in 1913 made a provision for discriminating duties, but the Attorney General found that it violated our treaty obligations with other nations.

Third, guaranties by the government of the bonds of private corporations. This would be a subsidy and impracticable.

Fourth, the amendment of our navigation laws. The shipping interests of the country have apparently never been sufficiently interested to present their views in an adequate and proper manner to the committees of Congress, showing the amendments of the navigation laws which were essential to the upbuilding of the merchant marine. Certainly those who are interested in the ocean-carrying service should, if these laws are

[1] Address by Robert L. Owen, United States Senator from Oklahoma, at the dinner of the Academy of Political Science, November 12, 1915. Printed in the Proceedings. 6:48-60. October, 1915.

as harmful as is sometimes suggested, present to Congress the reasons which would justify a change in these laws.

Fifth, Congress has, by the ship registry bill, opened the American registry to ships built abroad, and in this way quite a large number of vessels have been added to the American merchant marine, subject to the laws of the United States, and have at least added to the statistical respectability of the American merchant marine.

Sixth, during the last Congress a bill was presented authorizing the United States government to take stock in a corporation to be organized under the patronage and control of the government of the United States, with a capital of ten millions of dollars and the right to use thirty millions of Panama bonds to enlarge the enterprise, the government of the United States taking the bonds of the corporation in lieu of such advances.

This latter enterprise has various obvious advantages:

First, these ships would meet the needs of American foreign commerce between the United States, Central and South America, and the Orient, in which there is no adequate service by privately-owned ships.

Second, these ships would be manned by American seamen paid American wages, having the ideals and language of the United States, having a patriotic love for the United States and its interests.

Third, such ships would comprise a very important naval auxiliary and could serve instantly in case of foreign war as colliers, ammunition boats, supply boats, transports, oilers, hospitals, and repair shops, all necessary in times of war. They would be manned by patriotic Americans and not by foreigners without interest in America and ignorant of the language.

These boats would be self-supporting and would comprise an auxiliary naval merchant marine. They would have an extreme mobility. They could be sent to develop new lines of commerce where at present we have no regular mail service, no regular freight service, no regular passenger service, and consequently no reliable commercial ties. Whenever private capital could be attracted to fill a field thus developed, these boats could be used to develop a new field.

We have a right to believe that they would pay well from the beginning, because we know that the exports of the United

States to many of the South American countries have doubled in the last year, and that there is an enormous field of commerce, of imports and exports, immediately available whenever reliable channels of intercommunication shall have been established. The exports from Europe to South America in 1914 were $667,000,000.

The representatives of the South American countries, at the Pan-American financial conference held in Washington last May—eighteen American nations participating—declared their eagerness to cooperate with the United States in improving the trade and commercial relations between the United States and the Central and South American nations. There is no doubt that these countries will extend every possible facility in the forms of docks, terminals, and favoring laws.

Until the passage of the Federal Reserve Act, American producers and shippers had no adequate banking facilities in Brazil, Argentina, or other South and Central American nations; no adequate credit facilities, and no adequate American business representatives. But under the Federal Reserve Act a number of American banks have already been established in South America and many more are in contemplation. Through these American institutions accurate and reliable information as to the credit of purchasers can be obtained; credits can be extended, and exchange can be afforded. But if American shippers must rely upon the British ship or the German ship as a means of competing with British and German goods, American shippers would be absolutely at the mercy of those whose sympathies would be against the success of the American shipper and altogether in favor of his competitor, the British or German shipper.

I am informed that one of the great banking houses in New York made a critical examination of the freight service between the United States and South America by way of Europe, and ascertained that American goods were delivered from one to three weeks behind European goods; that American goods were not accorded the same careful treatment given to European goods destined for southern markets, and that there were other discriminations injurious to the American shipper, having a strong tendency to make the commercial relationship between the shipper from the United States and the buyer in South America unsatisfactory. It is obviously of the highest importance to the

development of the United States, the enlarging of its foreign commerce, that we should have stability and efficiency of the freight, mail and passenger services between the two countries. We must have regular sailings from our ports to Central and South American ports. We must have prompt and efficient delivery of our exports to those countries and our imports from those countries. We must have reasonable freight rates.

It has been objected that the government should not go into the shipping business, because the government cannot successfully handle the shipping business. The government has handled the shipping business successfully between New York and Panama for many years. It has handled the Panama Railroad Company successfully. It has handled irrigation plants successfully. It has handled cement plants successfully. It is handling the post office business successfully, and is doing fairly well with the express business under parcels post. It would not be a serious objection if the government did not make money out of the naval auxiliary merchant marine, because the establishment of the auxiliary naval merchant marine is necessary for our preparedness, and these boats can be more economically used in the merchant marine than to lie idle and rotting in the harbor.

It is said that the government ought not to compete with private individuals. The government would not be competing with private individuals in occupying a field which private individuals have not occupied. Private individuals cannot afford to take the risk of opening up a new line of commerce on the east and west shores of South America. Private individuals have abandoned the trade territory occupied by the Pacific Mail Steamship Company, and have left the imports and exports of the Pacific coast without adequate service.

When the war broke out the leading business men of the country appealed to the government of the United States to establish a bureau of war-risk insurance to insure American vessels and American cargoes against war risks. The government did so successfully and profitably.

The highest modern function of government is to use the combined power of the people to promote their happiness and prosperity, to promote their commerce, and give a constant, stable field of employment to their productive energies. The enormous volume of products which the people of the United States can produce will be stimulated to a maximum by furnishing a

foreign market on as fair terms as the citizens of any other nation of the world can obtain in times of peace or in times of war. If we leave our citizens and our commerce dependent upon the merchant marine of Great Britain and other nations, we need not be surprised if the merchants of those nations take the trade of the world and bottle up our products within our own land. I believe, therefore, that the best thing Congress could do would be to establish a naval auxiliary merchant marine, owned by a corporation, the majority stock of which is owned by the government; that this corporation should be in the control of a shipping board; that the most modern ships in the world should be built for this service, as speedily as possible; that we should prepare American seamen to man these boats at fair compensation and should educate a naval reserve on them; that we should establish with these boats lines of commerce and regular sailings at fair rates for freight, passenger service, and mail, between our ports and those of Mexico, Central and South America, and the Orient; that we should standardize this work and ascertain through this work what would be a fair charge for ocean freights.

THE RESTORATION OF OUR MERCHANT MARINE[1]

Before I discuss the shipping bill now before Congress, which I have been fighting to pass for the last two years, I desire to give my views generally on what will build up an American merchant marine. I read with interest the proceedings of the United States Chamber of Commerce in Washington a few days ago. Unfortunately, from start to finish, it was devoted to the advocacy of ship subsidy. Gentlemen, think of it, a ship subsidy urged at this time, when any man who owns a vessel in the shape of a ship, steam or sail, can get such prices for his service, that if the government were to give him a subsidy it would be a shame to take the money. (Applause.) And yet this great body, this National Chamber of Commerce, stood there and asked for a subsidy. You know, Mr. Chairman, and I know, that the greatest absurdity today would be to go before Con-

[1] Address by Hon. Rufus Hardy, Congressman, Sixth Texas District, before the Economic Club of Boston, February 23, 1916. Printed in the National Economic League Quarterly. 1:12-27. May, 1916.

gress in behalf of the shipowners and say, "My clients, those I represent, are receiving now in freights from 100 to 1,000 per cent more than they ever did before, but I ask you earnestly to give them a subsidy in addition." You, gentlemen, are in this section of the Union that has devoted more of its energy to upbuilding the merchant marine than any other section, and I ask you what do you think of such a request? The great body of our people who have not been directly interested in shipping have contributed millions to improving our harbors and canals and rivers so that your ships and the ships of commerce generally may safely enter and traverse them. That is sometimes called a subsidy by those who seek to find countenance for their demand, but it is not a subsidy. It is a public improvement. It does not go into the pocket of any particular individual or corporation. A subsidy is not distributed in that way. The beneficiaries of a subsidy hang like hungry dogs around a table waiting for the crumbs to fall.

I must tell you that I was glad to find your chairman able to state and stating so fairly the facts in regard to England's merchant marine. He tells you that England never has given a subsidy to her cargo ships. She has paid certain sums, but for every dollar she has ever given she has demanded full service in return. She has built, under the direction of her admiralty, certain ships which might be easily turned into war vessels and so constructed that they could not be very economically operated in commerce, but yet constructed with a view of avoiding the expense of keeping them idle in times of peace while having them ready for a time of war; and a few vessels, not amounting to 5 per cent of Britain's total tonnage, have received, not a subsidy, but what is in effect very fair and just compensation for carrying the mails and for other public service rendered and service contracted to be rendered in certain contingencies. But suppose it could be shown that England did subsidize some of her fast ships, how would that help the other and unsubsidized vessels of her vast marine? How would it help Mr. Smith operating his vessel, if Mr. Jones, operating a vessel in competition with him, got a subsidy? Pardon me for discussing this question at some length. I do so because it has a fascination for the shipowners, and it is shrewdly pushed to the fore by the shipbuilding interests which, under our present laws, have a monopoly of building ships for the American flag.

Special favor and privilege are always fascinating, and the recipients of them are always overflowing with reasons to justify them. Our shipbuilders have always enjoyed a monopoly of our flag by prohibitory laws. This did not matter so long as they built as good or better ships for the money than any other builders, but when the time came, as it did come, that they demanded a price of 50 to 100 per cent more than the foreign shipbuilder demanded for the same ship, then, in the language of James J. Hill, competition in our ships, that is under our flag, with foreign ships, became impossible. Then the shipbuilders and owners of America began to look for some way to do business. They could do it in our coastwise trade, of course, because no other ships were allowed there, but on the high seas it was different. If shipowners alone had been originally concerned the way was easy. All we had to do was simply to let the American buy his ship here or elsewhere, and so pay no more for it than did his foreign competitor. But our shipbuilder at that suggestion threw up his hands in holy horror. He declared he could not compete with the foreign builder, and that if you let American citizens buy ships where they please and put them under our flag and sail coastwise as well as over-seas they, the shipbuilders, would be destroyed, and yet they realized that the ship which carried the commerce between nations must do so because it carried it cheapest, and that the cheapest ship made the cheapest transportation. The issue was clear cut. It was either put our shipowner on equal terms with the foreign shipowner, or give up all participation by our ships in the foreign trade and hold only to our coastwise trade from which we could exclude the foreigner by law. Since the coastwise trade was about three-fourths, now nearly seven-eighths, of all our trade, the decision was quick and easy for our shipbuilders. They chose to hold the monopoly of building for our coastwise trade and let the foreign trade go to the foreign flags; and American merchants and the American public acquiesced. It was a blind and foolish policy, but urged with many plausible arguments. They said, "Let us enjoy our coastwise monopoly and by building many ships we will soon bring down the price to the level of the foreign price, but if you open up the ship market you will utterly destroy us, and then the foreign shipbuilder will double his price; and besides," they said, "if war should come we would have no shipyards and be at the mercy of our enemy." Finally they said shrewdly,

"if American capital wants to engage in foreign transportation it can buy the foreign ship, put it under the foreign flag, and so do the business." And this is what American capital did. Later, when the absence of our flag from the high seas became a scandal, we began to hear talk about our ships being driven out by antiquated navigation laws and the heavy burdens imposed by our laws on our shipping. All this talk was vague and general. It was never definite or specific, and it was always accompanied by a clamor for subsidy. The subsidist makes his plea on two grounds: first, our antiquated navigation laws, which he never points out and never seeks to amend; and second, the high wages we pay our seamen. I tell you without fear of contradiction that we have no antiquated navigation laws that impede our navigation save the one which forbids our merchantmen from buying the cheapest ship he can for the money. On the second point, the question of wages, it seems never to occur to him that England also is a high-wage country, comparatively. Her wages are higher than those of Germany, France, Russia, Norway, Sweden, Holland or Italy, and yet she builds cheaper and better ships than any of them and carries more of the commerce of the world than all of them put together, and she carries that commerce without subsidy.

Senator Burton in a speech in the Fifty-ninth Congress, declared that no nation had ever built up a great merchant marine on subsidy, and he is a profound student of the subject. My own study of the question has fully convinced me of the truth of his assertion. England has won by the skill and bigness and boldness of her enterprise. We must win in like manner or not at all, but if we would win, we must take off the weights and handicaps that prevent us from running an equal race, and then enter the list of competitors seeking to furnish the transportation of the world just as we have entered the list of competitors seeking to furnish the world with the corn, the wheat, the shoes, the machinery, and all the other products of labor.

It is contended sometimes that we now have let foreign-built ships come under our flag by the lately passed Panama Act. I want you clearly to understand the answer. We have done no such thing. We did pretend to do it, but it was only pretense. We passed a bill authorizing the American merchantman to buy a ship wherever he pleased, but in the same bill we said that if it was built anywhere else than in the United States he could only sail it in the foreign trade. Now what does that

mean? It means he might put our flag over it; but when he does so, what advantage does he get by doing it? Not a rap of your finger. Under this fraud of a law he cannot do anything under our flag that he could not do under the foreign flag. He may bring goods from Liverpool to New York or Boston and carry goods back to Liverpool. He could do that under the foreign flag. He gains absolutely nothing. What does he lose? First, he must change his officers when he changes to our flag. These he perhaps cherishes because they have been faithful and serviceable. That is his first difficulty. What next? He loses every distinctive privilege he had under the flag he transfers from. If it is the English flag he loses the privilege of sailing in the coastwise trade of some dozen different nations with whom England has treaties of comity. And moreover, he loses the privilege of sailing in the coastwise trade of Canada. It is safe to say that there is no nation under whose flag a vessel does not enjoy some especial advantage, small or great, and it is certain that by the law in question we offer absolutely no inducement to cause a shipowner under a foreign flag to part with even the smallest advantage. It is said that we in the South are careless in business matters, but that your people are not. As a New England business man, if you owned a ship under the English flag or any other flag, would you change it to the American flag when you understood the simple truth as I have told it to you about this so-called "free-ship law"? The committee I am on reported out that law after I had tried and failed to get them to let such ships engage in our coastwise trade. I told them that not a single ship would come under our flag under its provisions, and no ship did, until the dangers of the present war came, and then some of them took advantage of that law solely on account of our neutral position, and they came with the privilege of retaining their officers because the law requiring American officers was suspended to enable them to do so.

There is one other familiar subject I wish to talk about just a little; the subject of discriminating duties. Your chairman has said that discriminating duties have been tried by every nation on earth and have failed. That is true. In our early history Jefferson said that as long as other nations levied discriminating duties against us, we must maintain retaliatory duties against them; and that fact has of late years been falsely quoted to show that Jefferson favored discriminating duties.

The whole truth is this: when the original thirteen states had separate shipping laws they found that England and other nations were discriminating against them by imposing heavy tonnage dues on American ships entering their ports, and also heavy tariff duties on goods imported in such ships. Then it was found that when a state tried separately to retaliate she could not, because if Boston, for instance, imposed a high duty and New York a lower duty, Boston lost her trade and New York got it. New York and Massachusetts could not agree, and if they had agreed, then Baltimore could come down in her dues and duties, and get the trade. This was the situation when our Federal Constitution was framed. It was one of the things that helped to secure its adoption. All the states desired to have one central power that could put in operation a uniform policy on tonnage dues and tariff duties, and so meet the laws of foreign states which discriminated against them. Among the first laws passed by Congress was therefore one enacting retaliatory discriminating duties and tonnage dues. But as early as 1802, a movement was started to repeal that law and place in its stead upon our statute books a law authorizing the President to negotiate treaties abolishing our discriminating duties as to such nations as would abolish theirs against us. But it so happened that at this time the French Revolution was disturbing all the world. Laws and treaties were everywhere asleep in international affairs. The Napoleonic wars were sweeping the ocean of the merchantmen of nearly all European nations, and our ships had all they could do. They had a harvest. But just as soon as European peace was proclaimed the leading men of all parties in 1815 in the United States joined in the passage of an act to abolish discriminating duties against all nations that would abolish them as to us. The President was authorized to negotiate treaties to that end. Some eighteen treaties were negotiated in the next ten years. There were many qualifying clauses in these treaties not necessary now to discuss. In this country all parties and the leaders of all parties continually endeavored to make the sea more and more free, but England, with her vast colonial possessions, continued to refuse to meet our overtures. We were particularly anxious to trade freely with the West Indies, and England was anxious that we should not. She practiced all sorts of discriminations against our shipping. President John Quincy Adams and his Secretary of State, Henry Clay, sought every way to make a treaty of reciprocity

with her and to abolish these discriminations. They failed. They sent special representatives to England. That failed, but in 1828 President Andrew Jackson sent a special agent to England with authority and instructions to negotiate a treaty and with a message to the effect that a change had taken place in the American administration, that he meant business; and the treaty was finally made. England was the last great nation to give in, and from 1828 down to this day we have practically neither laid nor paid discriminating duties.

I could go into the subject at great length and show you how such duties obstructed commerce and irritated and aggravated nations and injured peoples. I could show you how it came to pass that an owner of cotton who must ship it from Charleston, South Carolina, to Europe, found it better to pay an exorbitant freight and send it on a foreign ship than to send it on American vessels free, and how England finally closed her West Indian ports to our ships. It is enough to say that discriminating duties force cut-throatism and obstruct commerce, and we do not want them. What we want is to struggle with the world on equal terms on the sea for our part of its carrying trade and its commerce.

The shipbuilding and coastwise interests are constantly talking about our antiquated navigation laws in the public press as the cause of the decay of our merchant marine. I have made them ashamed to talk that way when they come before our committee because I have demanded that they point out the laws they complain of, and shown them that they have never asked for the repeal of a single law. Your chairman tonight is the first man interested in shipping who has ever in my hearing named the real antiquated law which has killed our merchant marine. The shipbuilder will not tell you what it is, but he knows. I have had them tell me in years gone by that our law required our seamen to be given better accommodations than the seamen of any other nation on earth. There is a seaman here (Mr. Furuseth) who will tell you that is not true. I looked at the law. Our law, until last year, required 72 cubic feet of space for each member of the crew to eat, live, and sleep in. England's law requires 120 feet, and France and nearly every other nation requires from 100 to 120 feet. So we have not required better, but poorer, quarters for our seamen. Sometimes they told me that our law prescribed an excessive scale of food.

Look at the English food scale, and there is hardly any difference. We have a law, it is true, prescribing a moderate schedule of food, but then, this is allowed to be varied by the terms of the contract under which the seamen enlist, and it is always varied. (Applause.) When I have shown these things and asked again what laws, they are dumb as oysters because they cannot find a law on our statute books that cripples our merchant marine except the law which your chairman pointed out, and which I have pointed out tonight, and that is the law which prevents you from buying a ship where you please and using it in all our trades. The shipbuilders and coastwise shipowners will not point out that law because they do not want it repealed. Let me show you how impossible it is for us to have a merchant marine until that law is repealed. It was testified before our committee that a ship costing $1,000,000 here would cost $700,000 laid down on the Clyde. Now if you buy the ship here, it will cost you $1,000,000 and you can sail it as an American ship in every trade. If you buy it on the Clyde and put the British flag on it you pay $700,000. Ships are bought on borrowed money. That means that on the American ship you pay interest on $300,000 more than you would on the British ship, and if you pay 5 per cent interest it means $15,000 more interest per year. It means also that you pay insurance on $300,000 more, which I think is generally about 5 per cent, and which would make your insurance $15,000 more per year. A ship is supposed to last twenty years, and 5 per cent is charged off annually for depreciation. Repairs are also estimated to cost annually 5 per cent on the value of the vessel. So by buying the American ship you will pay annually $15,000 more interest, $15,000 more insurance, $15,000 more for repairs and $15,000 more for depreciation, all told, $60,000 more per year under this antiquated law for the blessed privilege of sailing your ship under the American flag with the full privilege of an American vessel. As a man that is not more blind than the cow that can keep in the road, I ask this simple question of you: If you, the most patriotic man in America, were thinking of going into the overseas carrying trade, would you buy the American ship and pay this $300,000 excess initial cost, and this $60,000 excess annual charge every year? Business men in the carrying trade are not fools, and you see just as well as I do why our merchant marine died.

The live present question for us to solve is: If you give the

American shipowner the best and cheapest ship in the world, can he successfully compete in the foreign trade under our flag? If you give him all the privileges pertaining to the American flag and place no more restrictions upon him than are placed upon foreign ships entering our ports, I answer yes. And I will tell you why. Next to America, England pays the highest wages among all the great nations. She pays higher wages than Germany or France. Far higher wages than Italy or Japan, and yet her merchant marine is triumphant over those nations. I have said this before but repeat it in order to say that what England has done, we can do. What England's shipbuilders have done, ours can do. What our steel and iron manufacturers have done, our shipbuilders can do. Our iron and steel manufacturers today, notwithstanding our wages, do turn out the cheapest products in the world. No man will do a thing that is hard to accomplish unless he has to. Just so long as you pamper and pet your shipbuilders and ship operators, and tell them they do not have to enter competition, they will sit back, but when you tell them they are full-grown and must get out and compete for success then America will again build ships and sail them for herself and for the world. (Applause.) So long as our builders can charge the highest price in the world for ships, and yet furnish them for seven-eighths of our trade, they will do it. I wish you could all read Mr. Redfield's testimony before our committee. There is a condition now like that on railroads when a new motive power is found, and the old locomotives have to be put into the discard. It is a condition similar to that of 1855 to '60, when the iron and steel ship began to replace the old wooden ship, and when England began to take the lead of us with her new ships. You know many an invention has failed to find acceptance because it would displace something already in use. The old world, the world that has been carrying the foreign commerce of the United States, has on hand old-style ships, old machinery and small ships. They will cling to them. They will hate to scrap them. We must build a new class of ships, and the material and opportunity is present at our hands. I know little about machinery, but if you will read the testimony of Secretary Redfield, you will find that by standardizing; by using our great steel and iron factories to make wholesale the separate parts which can be assembled and put together where wanted, and by using the internal combustion engine, by using oil instead

of coal for fuel, by economizing space in the new construction and by the use of modern apparatus for loading and unloading, and by building larger ships, our shipbuilders can build ships that will make it easy for us to take the sea if we try. Now is our chance.

GOVERNMENT SHIP PURCHASE BILL[1]

It is assumed that government ownership is something new under the sun. Those who urge this objection assume that the American people are ignorant of the many activities of the government in which the principle is applied. Private enterprise failed to build the Panama Canal, and the government took over that great enterprise and has completed the canal in the interest of the world's commerce, and for the national defense. The government owns and operates the Panama Railroad. It was relocated and rebuilt within the last five years at a cost of about ten millions of dollars; also owns and operates the Panama Railroad Steamship Company's fleet of passenger and freight steamers from New York to Panama, and has done so for eleven years past. The average rate of freight between New York and the Canal Zone at the time the government took over the operation of the line was $8 per ton. This has been gradually reduced to the present rate of $3.50 per ton on rough goods and $4.50 per ton for general cargoes. The reductions made by the government line similarly affected the rates of the other lines, all of which were of foreign registry. The result has been an immense saving to the government in cost of construction of the canal, at the same time no complaint has been made that the reduced rates have not been remunerative to the foreign as well as the government line.

The War Risk Insurance Bureau is a government activity that has worked well. The rates are one-eighth of 1 per cent. What they would be if the business was being done by private companies must be left to our imagination. The government has a splendid fleet of vessels in the revenue cutter service under control of the treasury department. The successful and economic

[1] By Joshua W. Alexander, Chairman on the House Committee on Merchant Marine and Fisheries. Scientific American. 112:177,185. February 20, 1915.

management of this fleet requires as high, if not higher order of skill and efficiency than is required in the management of a fleet of merchant vessels.

The government, through the post office department, has taken over a large part of the transportation business heretofore done by the express companies, and at a reduction of cost to the American people of about 50 per cent, and little heed would be paid to a demand to abolish the parcels post upon the ground that the government should not engage in the transportation business.

The government is building a railroad in Alaska at a cost of forty millions of dollars to unlock the mineral wealth of that great storehouse of nature for the benefit of all the people rather than have it exploited for the benefit of the few. It is to be hoped if the government goes into the steamship business it will prove a greater success than has the operation of our railroads under private control, notably the New Haven under the Mellen régime.

The government owns the greatest wireless system in the world, under the control of the Navy Department, which not only renders efficient service for all the departments of the government, but does a large amount of commercial business at reasonable rates, and could do more without additional expense of operation. Yet it is assumed that the government should not engage in the ownership and operation of shipping in the foreign trade to meet the demands of our growing and expanding foreign commerce, although private capital has failed for fifty years to provide such service for the American people.

THE SHIPPING BILL[1]

Interesting comments on the proposed shipping bill from a New England railroad man, E. D. Codman, formed president of the Fitchburg Railroad, are contained in an interview, which is here presented for the first time. Mr. Codman believes that the government merchant marine line offers the only means of overcoming the discrimination enforced by the "shipping pool" against Atlantic seaboard ports.

[1] By W. L. Stoddard. Railway Age Gazette. 59:1063. December 3, 1915.

His statement follows:

Because I see no other way of relieving Boston of the burden of discrimination laid upon her commerce by the foreign-owned shipping pool, I feel I can endorse the idea of placing in commission a government-owned merchant marine. This government-owned service would seem to be able to deal with the present situation by establishing a fair transportation rate between her and Europe. At the same time it would give ports such as Boston a chance to enter on equitable terms the competition for the trade of South America.

Take, for example, the rates from this port to Liverpool. We are so much nearer Liverpool than is New York to that English port, that a vessel can make a little better than eleven trips from Boston to Liverpool and back while she would be making ten trips from New York to Liverpool and back. Applied to freight rates, that saving in time should make a difference in our favor, and applied to passengers it should amount to enough to pay a $5 fare from New York to Boston on a first-class passenger.

Yet under the conditions established by the shipping combine on the Atlantic, the railroads carrying a shipment from Chicago to be sent to Liverpool are allowed practically only the same amount to deliver that shipment on the docks in Boston as to deliver it on the pier of New York. On both exports and imports the rates allowed the railroads are so low as to afford only a slight profit. The fact that there is less profit in bringing shipments by rail to Boston than to New York discourages the railroads from developing their service here. Boston is the victim of this discrimination. Only when her ocean rates to Europe are readjusted on a basis of the shorter distance can she hope to get a fair chance at the export business. The trouble lies in the fact that the foreign-controlled shipping pool has arbitrary control of the rates.

If the United States government will build and operate, or control the operation of, a merchant marine that will enter upon the task of correcting this injustice, the whole country will be the gainer. The public loses whenever the rates are fixed on any other basis than that of a fair price for the service rendered, as in the case of ocean freight transportation. Let the government put on a line of ships temporarily, and the shipping pool will have to meet the rates which a government board shall determine are fair for the distance from Boston to Liverpool.

I do not believe in government ownership of shipping where

private capital can and does render equal service for a fair price. But I do believe that where private capital is so combined, and under control so far removed from the action of public opinion, as is the case with our transatlantic shipping, and where it fails so notably to render the public a reasonable service at a fair price, the government should step in with its own corrective power. The corrective power in this instance is not the legal regulation of the rates to be charged by the privately owned lines, but the temporary establishing of a shipping line which will set the desired standard of service.

SHIP PURCHASE BILL[1]

Since August, 1914, our commerce has been seriously affected by the conditions which have arisen on the other side of the water. In response to a Senate resolution, the Secretary of Commerce and myself made a report to the Senate a few days ago, and I want to read to you a few things in this report which will convey to you more strikingly than any words of mine can possibly convey, the conditions that affect American shipping interests, American farmers, American manufacturers, and American business men in general who are interested in our export and import trade.

These letters were sent to the two departments without any direct request whatever for information. They were voluntarily sent in response to the request in the Senate resolution that these two departments, connected as they are with the shipping and business interests of the country, should furnish all available information.

Garcia & Company, general commission merchants of San Francisco, wrote under date of January 5 as follows:

> We beg to say that we ourselves have shipped in the last two months 500 or 600 tons of dried fruit to New York through the canal at Panama for reshipment to Scandinavian ports and also to Holland. To a great extent these goods have been in New York for a long time, for the reason that our forwarding agents, Messrs. C. B. Richards & Company, could not get any space. It seems that whenever the Scandinavian-American

[1] Views expressed by Hon. William G. McAdoo, Secretary of the Treasury at the Third Annual Meeting of the Chamber of Commerce of the United States, February 4, 1915.

Lines are asking higher freight rates, other lines do so, too, and now even the Holland-American line is asking 100 shillings for 2240 pounds, while only a few days ago this company asked 45 shillings for 2240 pounds. These advances in freight rates are made without notice, and even previous engagements have not been protected. So that the shippers, instead of making a small profit on their sales to European countries, are losing money.

And yet I have heard it seriously contended, although I know I need not discuss such a proposition with intelligent American business men, that freight rates, ocean transportation rates, do not make any difference to our business men, because the man on the other side pays it. There is not a man within the sound of my voice who has anything to do with business who does not know that the cost of transportation is an elemental and serious factor in every business transaction, involving the shipment or movement of goods.

William Haas & Sons, manufacturers and exporters of "D" shovel handles, Houston Heights, Tex., December 28, 1914:

For years our entire output has been disposed of abroad, but owing to the present prohibitive tariffs in ocean transportation we are unable to deliver our goods, consequently our plant will remain closed down until such rates are established as will enable us to market our goods. . . . In our judgment a government merchant marine will solve the problem.

Charles E. Moore, President, Leaf Tobacco Association, Baltimore, Md., December 28, 1914:

. . . I desire to file with your department an urgent protest against the unwarranted advance in freight rates on tobacco as recently established by the Holland-American Line. Some of our exporting members shipping to Holland points have signed contracts with this company, expiring December 31, 1914, for a rate of $3.50 per hogshead of tobacco. This contract has been disregarded entirely and the rate increased first to $5.25, then to $6.85, and to-day a notice that it will be $7.50 until further notice. This, I repeat, in the face of the written contract for $3.50 per hogshead.

Gano, Moore & Co., coal, coke, iron, steel ores, Philadelphia, Pa., December 28, 1914:

The shortage of vessels is so serious now that it is practically stopping the exportation of coal. We have several orders for coal, principally to South American ports, and it is impossible to secure vessels.

American Tripoli Company, "Tripoli" flour, Seneca, Mo., December 28, 1914:

We have an offer of some orders from Barcelona, Spain, and the first two of the attached letters refer to our effort to get quoted us a rate

from New Orleans to Barcelona; and you will see that the steamship company operating steamers to Barcelona refuse to quote rates at all. In the first letter the reason given was that other commodities which permit of a higher rate are being carried, so that our material, which must have a lower rate, is not at all desirable, and they even refuse to quote rates at all. . . . The fourth letter, dated December 18, quotes us a rate of 49 cents per 100 pounds from New Orleans to Havre, France, and for comparison, will say that just previous to the European war, on July 3, 1914, we made a shipment at the rate of 18 cents per 100 pounds, a little more than one-third of the rate now asked. This high rate is, of course, prohibitive on a commodity such as ours.

Inman, Akers & Inman, Atlanta, Ga., December 28, 1914:

We are paying ocean freight from Savannah to Rotterdam and to Bremen of $2, $2.25, to $3 per hundredweight. Formerly the rates to these places were about 35 cents per hundredweight on cotton.

W. B. Cooper & Co., cotton merchants, Wilmington, N. C., December 31, 1914:

Please allow us to indorse the action of the administration in trying to secure boats for the movement of American products. We are frank to say that as a general proposition we are not anxious to see the United States government get into too many lines of business, but when 3 cents per pound or more is to be paid freight on cotton across the water against 35 cents per hundred pounds six months ago it is time something should be done, in our opinion. (Three cents per pound equals $15 per bale; 35 cents per hundredweight equals $1.75 per bale.

T. F. Jenings, hardwood manufacturer, Marianna, Fla., December 28, 1914:

I am exporting hickory lumber in bundles to Christiania, Norway, and freight rates have become so exorbitant that it is almost out of the question to ship. . . . Now, I am compelled, under the circumstances, to shut down my business if this cannot be rectified.

Funch, Edye & Co., steamship agents and ship brokers, in a letter to T. F. Jenings, Marianna, Fla., December 14, 1914, state:

We have no room to offer prior to the steamship "United States," March 11.

Chattanooga Wheelbarrow Company, Chattanooga, Tenn., December 26, 1914:

We have been endeavoring for about a month to get a shipment through some of the Atlantic or Gulf ports for shipment to Bristol or Liverpool. . . . We are still holding this carload trying to get booking through some of the various steamship companies, and in this connection would state we have three more cars which we want to get out early in the year, provided we can get them handled from port.

Brown & Adams, wool commission merchants, Boston, Mass., December 30, 1914:

We have been unable to make shipments wool from Buenos Aires to Boston or New York since December 15. Very little chance securing freight room for next thirty days account scarcity of vessels. Have over $600,000 worth waiting shipment already paid for. Freight rates when available about 150 per cent increase over last year.

Ike Manheimer, green and dried apples, Rochester, N. Y., December 28, 1914:

In connection with the Scandinavian-American Line out of New York (Messrs. Funch, Edye & Co., agents) I have had so much trouble in securing space to Copenhagen and in getting the goods on board steamer, even after the space had been promised, that I was compelled to stop selling goods to Copenhagen. . . . The freight on fresh apples in barrels is almost equal to the value of the apples, and practically prohibitive.

G. Stallings & Co., Lynchburg, Va., tobacco exporters, December 28, 1914:

There is a considerable scarcity of steamers flying the American or neutral flags, and unless more ships can be put at the disposal of shippers, causing a general reduction of ocean freight rates, which are now unreasonable, excessive, and almost prohibitive, the export business of this country is bound to suffer greatly.

M. B. Nelson, general sales manager the Long-Bell Lumber Company, Kansas City, Mo., December 29, 1914:

I enclose a quotation from ship brokers issued under date of December 26, showing rates have advanced more than 300 per cent. . . . We now have in pile at port a little over 9,000,000 feet of lumber, or an approximate value of $280,000, all of which is deteriorating and could be disposed of if shipping facilities would permit.

There are many others in the same condition as ourselves, and we sincerely hope you can do something to relieve the situation.

Panama Railroad Company, January 15, 1915:

Our stock (of coal) has been reduced from 90,000 to 40,000 tons, and both the Earn Line and our company are scouring the charter market in the effort to secure sufficient tonnage to carry to the Isthmus the amount of coal it is imperative we should keep there."

Gentlemen, there are something like seventy-five letters of a similar character in this pamphlet. I do not want to take your time to read them. I wish, indeed, that a copy of this document might be put in the hands of every delegate here, and, if it would not be violating the rules of the Chamber, I should like very much to have permission to send, for distribution

among the members of this convention, copies of this report, which has been printed and issued as a public document by the Senate. It is entitled Senate Document 673, Part 2, Increased Ocean Transportation Rates.

Exorbitant Ocean Freight Rates

Now, as to the effect of these rates. I should like to summarize them very briefly from this report.

From the foregoing tables it will be observed that ocean freight rates on grain from New York to Rotterdam have been increased since the outbreak of the war 900 per cent; on flour 500 per cent; on cotton 700 per cent.

From New York to Liverpool the rates on the same commodities have increased from 300 to 500 per cent.

From Baltimore to European ports (excepting Germany) rates have been increased on grain 900 per cent; on flour 364 per cent; on cotton 614 per cent.

From Norfolk to Liverpool rates on grain have been increased from 157 to 200 per cent; on cotton 186 per cent.

From Norfolk to Rotterdam the rates on cotton have been increased 471 per cent; to Bremen the rates have increased on cotton 1,100 per cent, namely from $1.25 per bale to $15 per bale.

From Savannah to Liverpool the rates have been increased on cotton 250 per cent; to Bremen the rates have been increased on cotton 900 per cent.

From Galveston to Liverpool the rates have been increased on grain 174 per cent; on cotton 361 per cent; to Bremen the rates have been increased on cotton 1,061 to 1,150 per cent.

Since this report was written, gentlemen, freight rates have in many instances been still further increased. Now, it is stated that marine insurance and war risk insurance have added very greatly to these costs. Let me say to you that the marine insurance rates have been increased one-eighth of 1 per cent only since the war broke out, while war risk insurance rates have been very much reduced. The war risk insurance rate to Liverpool is only 2 per cent and to Bremen it is only 3 per cent, made so by the government of the United States, and if the government of the United States was not today in this privatest kind of private war risk insurance business, gentlemen, the rates of war risk insurance would be prohibitive and they might be stopping American ships altogether; and yet in the face of these

uncontroverted facts and with the situation growing more acute every day we stand here and talk, and talk, and talk while American interests are being put daily into greater jeopardy, because some people prefer to be bound by a hoary dogma than to have the government protect its own citizens and the business men and producers of this country by doing for them what private capital refuses to do.

Business Men Advise Government to Enter Private Business of War Risk Insurance

The historic position that this country has taken ever since its existence is in favor of the right to do the very things that we are attempting in this shipping bill. But if anybody is sensitive about the exercise of that right, let me call his attention to one or two things that have been done. Shortly after the war began, recognizing the serious and grave situation that confronted this country, because of the paralysis of shipping and the complete disorganization of international credits, the Secretary of the Treasury on the 7th day of August, three days after the first serious effects of the involvement of all of these nations in war had become apparent, issued a call to the country asking for the cooperation of the responsible bankers and business men and shipping men in an effort to accomplish two things; first, to restore our shipping so that grain which was piled up in every port on the Atlantic and Gulf seaboards could be moved, and second, to reestablish foreign exchange upon a normal basis. In response to that call, gentlemen came to the Treasury Department representing in the highest degree the business interests of this country. I wish I had time to read all their names to you, but I am obliged to read just a few. Among them were Mr. J. A. Farrell, of New York, and Mr. P. A. S. Franklin, of New York. Mr. Farrell is the president of the United States Steel Corporation. Mr. Franklin is the vice-president of the International Mercantile Marine Company. Mr. Bernard Baker, of Baltimore, well known in the shipping world, a gentleman who has no interests of any kind in the shipping business, and who is interested in this great question purely as an American citizen, and who knows the vitality of the question and the necessity of acting promptly upon it, was also present; as were also Mr. Robert Dollar of San Francisco, Mr Hemphill of New York; and many other prominent men, includ-

ing President Fahey of Boston, who is now the President of this Chamber of Commerce of the United States.

Now, gentlemen, that conference passed several resolutions. I am going to read you two that have a bearing on this question:

Resolved, that this conference urge the United States government to establish a bureau of war risk insurance to be administered under the direction of a suitable government department by a board of three or five members which shall assume the risks of war on American vessels and American cargoes shipped or to be shipped therein whenever, in the judgment of the board, it shall appear that American vessels or shippers in American vessels are unable in any particular trade to compete on equal terms with the vessels or shippers of other nationalities by reason of the protection offered such other carriers or shippers by arrangements for indemnity through their governments; and that such board have power to fix rates of premium.

That resulted in the enactment of the war risk insurance measure to which I have already referred.

Resolved, that the present opportunity to extend American foreign trade and the opportunity now to begin the creation of a mercantile marine under the United States flag is so great that this conference appeals to Congress by immediate and effective legislation and by necessary changes in our navigation laws to make it possible for our citizens, without discrimination, to buy and operate ships under American registry in foreign trade on equal competitive terms with all other maritime nations.

Those were significant declarations by men prominent in the business and banking world, most of them not democrats in politics—men willing to put aside partisan considerations and come here to Washington and ask this government to go first into private business for the purpose of protecting the shippers of this country because war risk insurance in times like these is just as essential a part of the shipping business as the steel plates in the hull of the vessel, and no vessel will go to sea without war risk insurance any more than it would go to sea without a crew. And here they ask this government to go into private business to protect the American business man. When that matter came before Congress it was voted for by Democrats and Republicans alike. It was passed by a yea and nay vote in the Senate, and the distinguished Senator from Ohio is one of the men who voted for it, or, at least, he is not recorded against it. There was opposition in the House led by Mr. Mann, the Republican leader, but the measure was overwhelmingly passed and a day or two after that the War Risk Bureau was started. It was made a bureau of the Treasury Department and is actually doing business in insuring American ships.

Successful Operation of Government War Risk Insurance Bureau

Now, they say that the government cannot conduct any business without a loss of efficiency, and without extremely great expense. Let me call your attention, gentlemen, to what has happened in the war risk business. Now this is mighty private business. It collides with other people who are in the war risk insurance business. But it was justified. It was the right thing to do. They may say, "Well, that was only a temporary measure, because it has to expire with the war." Of course it has to expire with the war. What is war risk insurance for except for use while the war is in progress, but the principle is the same.

We have issued up to February 2, 1915—the Bureau went into operation on September 2—nearly $48,000 of insurance upon American ships and cargoes, and we have kept the rates down. The premiums we have received to date in actual money paid into the Treasury of the United States amount to $1,250,000. Earned premiums to date on expired risks are $397,897, and we have not made a loss yet.

Now, gentlemen, suppose we had said, "Oh, well, we will reject this; we can't afford to have the government engaged in private business," just as they are saying about the shipping bill: "You are bound to run this thing at a loss. You will involve the American people in a loss." Suppose we had done that. Where would we be today? I hesitate to tell you what would have happened to the commerce of America if this had not been done. What do you suppose it has cost us to run the bureau up to this time? Mind you, we have taken in $397,897. You would think $50,000 very reasonable for handling the bureau during that time, wouldn't you? It has cost us exactly $6,449.68 to do the business.

Did we put any conditions in the war risk insurance bill that we must not issue an insurance policy on an American vessel unless we had the consent of some other power? Not a bit of it. It is our business. We have a right to do this thing. But they say, "If you are going into the ship business, you will get us into trouble."

My friends, when the government of the United States insures the cargo and the hull of a vessel, a policy is issued under the seal of this government, and signed by its responible executive officer, insuring that cargo, and when a vessel and cargo are seized and taken into a prize court, this government has a direct

interest in the issue. We insure as much as a million dollars upon any one hull and cargo. Suppose a vessel is seized, as I said before. A million dollars is the equivalent of four good tramp steamships. You could buy four good tramp steamers for a million dollars. So we have, analogously, four ships under this flag belonging to this government in a prize court in a foreign country. Are we afraid of it? Certainly not. When the government goes into the war risk insurance business it goes in as any citizen would go in. It divests itself, to a certain extent, of its sovereignty, because it is engaging in private business; and that is one of the most extreme cases I could cite where a government has directly gone into a business which might involve it in such complications as these gentlemen fear. But it has no elements of danger, because we expect those cases to be determined in the same way as if they affected any citizen of the world, by the decision of a just prize court, and we cannot complain as long as we get justice—and that, of course, we will get.

Ship Registry Bill

We passed a ship registry bill. There is a lot of cry about free ships. They say, "Just give us free ships; that is the remedy." Do you know that you have had free ships since 1912? What effect has the ship registry bill had on our commerce? Nothing; literally nothing.

Do you know that under the Panama Canal Act you get "free ships," and that everything that enters into the furnishing of a ship is "free"? And yet American capital has not come forward to do anything. "Do you know why? The Chamber of Commerce of New York made a report by their experts—I know they are experts, because they say so over their own signatures. They made a report in which they said it cost from 5 to 10 per cent more only, not 40 or 50 per cent, as is commonly understood and alleged as a reason for giving a subsidy to American ships. They said it cost from 5 to 10 per cent more only to operate an American ship as against a foreign ship. You can buy them free in the markets of the world today, and operate them in our commerce, except in our coastwise trade. You can buy a ship anywhere and do it.

When this war broke out a number of American citizens had ships, which they were operating under the British or some other flag—mostly under the British flag. They were anxious to have

the law changed to such an extent that those ships could be transferred or that they could buy ships and transfer them to American registry, and they asked us to support such a measure. We did support it, and the distinguished Senator from Ohio, if I am not mistaken, voted for it, and Senator Root voted for it and nearly every Republican in Congress voted for that measure which went promptly upon the statute books. These American shipowners did not want to transfer their ships from a belligerent flag to the American flag because they loved our flag; they transferred them because it saved them from possible capture by hostile cruisers. It may cost them a little more to operate them under the American flag, but they pay this for safety—for insurance.

When we passed that law we put it in the hands of any American citizen to buy a ship of any belligerent flag and transfer it to American registry. We have given any citizen the power—a power that our opponents now hesitate to give to the President of the United States, who has no a motive on earth except to serve you and to keep this country out of trouble—we have given to any citizen a power that these gentlemen are unwilling to accord to the President of the United States under this shipping bill.

You know that individuals, for self interest or for some other reason, may collusively or in bad faith transfer a ship. They may transfer it to our registry for some purpose that is not square, that is not fair, and if they did, the American government has got to come to the front and make diplomatic representations in order to protect the man who does that because his ship, which we permitted to come under American registry, flies our flag. We have got to make representations. So far as that transfer is bona fide, it is recognized in international law as being a proper transfer. The burden of proof rests upon the man who effectuates that transfer to show in a prize court that it was bona fide. But the government of the United States would have to intervene through diplomatic channels in each of such cases and see that its citizens and the ships under its flag, got justice in that prize court.

ADEQUATE SHIPPING FACILITIES FOR FOREIGN COMMERCE[1]

Object to Be Attained

This bill purposes to initiate an American ocean-going marine, an object desired by all Americans. The annual toll paid by the United States to vessels flying foreign flags is variously stated at from $200,000,000 to $300,000,000. This seriously affects adversely the balance of international trade, and by itself is a matter calling for legislation to work a change.

Not only is this so, but recent events have made clear to the entire country certain facts which it is the purpose of this legislation to alter. Our great and growing foreign commerce, aggregating over four thousand two hundred and fifty millions yearly, of which our exports form much the larger part, depends for its ocean transportation chiefly upon the merchant marine of the nations which are our own commercial competitors in the markets to which we all sell. By reason of this control by others of our needed transit facilities, we are subject alike to their primary interests and to their risks. If, for example, their primary interest calls for them to withdraw ships for purposes of war, the ships are withdrawn, and with them go the facilities we need, and we are without recourse. If the exigencies of war call for destruction by the enemy of one of the powers whose ships we use, that destruction takes place. With the destroyed ships American cargoes go to the bottom. Our commerce is immediately affected, but we again are helpless. If the exigencies of war call for the interning in foreign ports of merchant vessels carrying American cargoes under the flag of a belligerent, the ships are interned, and the cargoes they carry, though belonging to Americans, and as a matter of fact though paid for by Americans, cannot be secured, because the American interest in the cargo is necessarily subordinated to the belligerent interest in the vessel itself. All these conditions have actually existed in recent months, and some of them exist to-day.

Furthermore, it is the fact that the primary interest in the transportation of our ocean-borne commerce is that of the European stockholders in the companies which do the transporting. Those stockholders look to their investments to return them a

[1] 63d Congress, 3d Session. Senate Report. No. 841, p. 4-11.

profit. Therefore the business must be done in that way which is first of all most profitable for the European stockholders, and this may and as a matter of fact does work out to the disadvantage of American commerce. The two opposing interests are these: First, and most important to us, the interests of American agriculture, industry, and commerce as a whole; second, and least important to us, though now in control, the interest of European stockholders to have their ships so operated as to return them the largest element of profits. We have been content hitherto to subserve the interests of the European stockholders, and to a minor extent of American stockholders in ships under foreign flags; but the shock of war has disclosed the fact that this arrangement, while seeming to work well in ordinary times, has in it the elements of weakness outlined above, and which are now plain to all.

In addition to this and in part because of the operation of the causes above suggested, there is at present a lack of vessels, even of those flying foreign flags, and a far greater lack of vessels under our own flag. This has resulted in a grievous advance of freight rates to almost all portions of the globe. The least advance which has come to the knowledge of your committee is 10 per cent on Asian business, but on certain goods, such as steel and iron, rates have advanced more than this. To South Africa the advance has been 20 per cent; to South America, 25 per cent; and to European ports, from 50 to 1,000 per cent, depending upon the merchandise carried and the ports of destination. The present rate upon cotton from Galveston to Bremen is ten times that which prevailed a year or more ago, this in spite of the fact that cotton is not contraband and that the belligerent governments permit its free passage. As this report is written, shipowners, chiefly foreigners, are reaping a rich harvest of profits at the cost of American producers, whose prices are necessarily diminished in proportion to the excessive tax put upon their wares for the benefit of the owners of ocean transportation lines. When it costs $15 a bale merely to transport cotton across the ocean, it is evident that this charge is a heavy handicap upon our entire cotton-producing interest at a time when we have the largest crop in our history.

Even this serious burden imposed upon our people against our will and beyond our control is not, however, the greatest danger possible. We now see clearly that the fortunes of war

or the naval interests of a belligerent may at any time stop our transportation movement entirely. It did so for about two weeks in the month of August, and circumstances may recur to cause it to do so again. At a time, therefore, when the United States abounds in crops of wheat, corn, cotton, apples, for which a profitable market exists abroad, and when the world, both that part of it which is in arms and that which remains at peace, is calling as never before for the products of our mines and factories, we are all but helpless in the face of the largest opportunity we have even known. The need of others for our goods is our sole reliance for transportation facilities. The wrath of other nations one with another may at any time cause these facilities to be removed. Even at present high rates, ships are not available for many purposes until March. The situation is emergent, expensive, and it is impossible with any due regard to the interests of American commerce to permit it to continue a day longer than is necessary. The Associated Press says:

> During the first four months of the war 54 British foreign-going ships with cargoes were captured or destroyed. Further, that losses to Scandinavian shipping have been, through mine disasters: Sweden, 8 ships; Denmark, 6 vessels; Norway, 5 vessels; and Holland, 3 vessels. There is grave uncertainty as to maintenance of the present insufficient supply of tonnage.

Proposed Measures

Numerous plans have been suggested to build up our merchant marine, the principal one being the payment of direct subsidies. The American people have never been willing to foster private interest in this way, nor is there any sign that they have changed their minds. The adoption by us of the plan of service subsidies in the carrying of our mails has not given that increase to our merchant marine promised by the advocates of that policy. We are now paying four vessels of the American line—the New York, the Philadelphia, the St. Louis, and the St. Paul—in the North Atlantic trade, about $735,000 per annum for mail transportation. For the conveyance of the United States mails to foreign countries we paid for the fiscal year ending June 30, 1914, to American steamers $1,409,483.77, and to foreign steamers (because American steamers could not be had) $1,429,434.25. The government has no control over the passenger or freight rates charged by these vessels, and it may be properly assumed that they charge all the traffic will bear. An investigation made by the Committee on the Merchant Marine and Fisheries of the

House of Representatives into steamship conferences and agreements in the domestic and foreign trade disclosed the fact that for three or four year prior to 1913 ocean freight rates increased from 50 to 100 per cent. Since July 1, 1913, the New Orleans Cotton Exchange certifies that the rates on cotton from New Orleans to Liverpol have advanced as follows per 100 pounds:

	Cents.
July 1, 1914	28
August 1, 1914	28 to 33
August 17, 1914	50
August 23, 1914	50
October 28, 1914	60
November 9, 1914	60
November 11, 1914	65
December 1, 1914	70
December 4, 1914	75
December 11, 1914	85

Or more than 200 per cent since July 1, 1914.

The following memorandum from the Treasury Department shows the abnormal increases on other articles of commerce:

Memorandum Concerning Rise in Freight Rates, New York to Liverpool

	Grain per bushel	Cotton, per 100 lbs.	Flour per 100 lbs.	General cargo, per ton	Provisions, per ton	Freight	Bottoms
1913	*Pence.*	*Cents.*	*Cents.*	*s. d.*	*s. d.*		
Dec. 12..	2	30	14	17 6	20 0	Scarce....	Ample.
1914							
Mar. 12..	1½	25	12	17 6	20 0	Do	Do.
June 12..	1½	20	10	17 6	20 0	Increased.	Being held for higher rates.
July 12..	2½	20	12	17 6	20 0	Do	Do.
July 30[1]..	2¾	20	12	17 6	20 0	Plenty....	Demand for tonnage increasing.
Sept. 5..	3	20	20	17 6	20 0	Scarce....	Ample.
Oct. 12..	4	35	21	20 0	30 0	Increased.	Demanding higher rates.
Nov. 12..	6½	50	24	20 0	30 0	Do	Becoming limited.
Dec. 12..	8	75	26	30 0	30 0	Considerable.	Scarce.

[1] No rates quoted until Sept. 5.

A comparison of the freight rates between New York and Liverpool is shown by the above table and is most interesting and instructive.

Between December, 1913, and the end of July, 1914, the rates for the the most part held uniform, there being, however, a slight advance in the grain rate, a slight decrease in the flour rate, and a fall of 50 per cent in the rate for cotton.

In December, 1913, there was more tonnage available than freight offered.

At the end of June, 1914, there was plenty of freight offered for shipment, but shipowners were holding their tonnage in expectation of higher rates, and this condition continued until the war.

For several weeks following the outbreak of the war shipping was demoralized and transatlantic freight traffic was practically at a standstill.

By the first week in September sea conditions became more settled, but while there was ample tonnage offered, the difficulty in financing cargoes caused a very limited demand for the ships. As a result the freight rates on standard cargoes were practically the same as during the normal times before the outbreak of hostilities.

During September the demand for tonnage steadily increased, and the shipowners naturally began to hold their tonnage for higher rates.

By the first week in November, the greatly increased rates offered by shippers were sufficient to bring out the ships, and the idle tonnage was rapidly utilized; by the end of November ships began to be scarce, and at the present time the lack of tonnage is clearly set forth in the following quotation from the New York Journal of Commerce, of December 12, 1914:

"The full-cargo steamer market continues exceedingly strong, influenced by a steady demand for tonnage and a very limited supply of same available before the middle of January. The bulk of the demand continues to come from the shippers of grain, cotton, coal, and general cargo to European ports, principally to the Mediterranean, and rates have advanced steadily, until at the present they are at their highest with every indication of further advances being recorded within the next few days."

This scarcity of ships has resulted in the tremendously increased freight rates, as shown by the above table. Comparing the rates current on December 12, 1913 (when world conditions were normal), with rates at the present time (December 12, 1914, when available tonnage has been greatly diminished through the effects of war), we find the following very marked increases in the transatlantic freight rates for the staple articles of export; Freight on provisions, 50 per cent; on general cargo, 70 per cent; on flour, 86 per cent; on cotton, 150 per cent; on grain, 300 per cent.

Control of Ocean Transportation

Inasmuch as freights have been going up abnormally and without sufficient economic cause during years of almost universal peace, and inasmuch as they have transcended the bounds of reason since the beginning of the European war, your committee is of opinion that this is a most auspicious time to begin the augmentation of the American marine by government action.

It is not sufficient, however, to draw attention to the increases

in the rates for ocean transportation, however onerous those rates may be to the business of our American producers, whether industrial or agricultural. There is a far more important element to be considered, namely, the control by us, and in the interest of America as a whole, of our ocean transportation. This control does not now exist. We stand helplessly at the water front and let others do our business for us to their own great gain, subject to their own risks. They do it in their own way as to time, place, and character of transportation, and no one will pretend that they have extended to us in all respects equal facilities to those which they have furnished to their own peoples. We need control of the situation in several ways. Control should be exerted over rates of transportation, in order that conditions like those existing today shall become impossible. If there were American ships of ample capacity to carry cotton from our southern ports, or grain and apples from our northern cities, and if these ships were so controlled that the rates for transportation therein could be made such as were just alike to the vessel and to the shipper, a handicap would be at once removed which now, at a critical point in our financial history, is weighing us down.

In the second place, control should be exerted as to the routes to be followed. In the interest of American commerce as a whole it should not be permitted that the necessity of European stockholders for earnings should dictate where and when ships should go. That is a matter we ought to control for ourselves and in which we can not afford to be controlled by others. It should rest with us to say that such and such a ship shall go to such and such a place when and as American commerce needs to have it go there. It cannot be imagined that the American people, who desire their commerce to be promoted by shipping, shall be content to have that promotion remain a secondary thing in the interests of certain investors, chiefly abroad, but partly at home.

Again, control should be exerted as regards the character of the transportation furnished. We need passenger facilities to South and Central America and to other portions of the world as good as those which Europe provides for her own people. In the past we have been handicapped by the fact that to reach Argentina and Brazil Americans have found it preferable to go by way of Europe. In short, it is the duty of the government in all these matters, by its control, to be helpful to American commerce and not to be helpless in the whole matter.

This legislation, so far as it permits the control of ocean freight rates by transportation in vessels under government direction, is in line with all recent rate legislation. It permits that to be done at sea which we have long done at home, and provides for the ocean carrier what we long ago provided for the common carrier on land. By reason, moreover, of the international character of ocean transportation, control by government direction of vessels of the kind proposed by this measure is the only way available for that power over rates which we have long exercised on shore, and which present circumstances show us is badly needed at sea.

Scarcity of Ships

The following communication from the Department of Commerce shows the great decrease of ships and tonnage from United States ports:

Net tonnage of vessels cleared from the United States for foreign ports during the five months ended Nov. 30, 1913 *and* 1914.

	1913			1914		
Month.	American.	Foreign	Total.	American.	Foreign.	Total
July.....	1,873,857	3,836,127	5,709,984	1,558,249	4,062,802	5,621,051
August.....	1,749,384	3,762,141	5,511,525	1,634,974	2,971,270	4,606,244
September.....	1,571,473	3,688,980	5,260,453	1,366,790	3,055,424	4,422,214
October	1,749,735	3,538,895	5,288,630	1,320,718	2,584,068	3,904,786
November.....	1,498,253	2,896,501	4,394,754	956,264	2,404,695	3,360,959

An Emergency Exists

These facts clearly indicate that an emergency exists—there is a lack of ships—and that our people are being deprived of the means of transportation for shipments of many classes of their goods, and are being mulcted by excessive and unreasonable rates upon shipments actually made.

Private enterprise with an unquestioned occupancy of the field has broken down at a crucial point and has failed to give us ships to meet the demands of our shippers. The Chamber of Commerce of Pensacola, Fla., of date December 12, 1914, sent the following letter to the committee:

PENSACOLA, FLA., December 12, 1914.

Senator D. U. FLETCHER,
Senate Office Building, Washington, D. C.

DEAR SENATOR: We here do not know whether to be amused or disgusted in regard to interviews given out by prominent gentlemen, who should know better, as to the great number of ships available for carrying freight and the ease in obtaining them.

If some of the gentlemen who talk this way would come down to this coast and see how our business is hampered by inability to get bottoms and the extraordinary freight rates charged, they might change their minds as to the abundance of vessels available. The fact is that freights are almost at a prohibitive figure, and vessels can hardly be obtained even at the piratical prices asked.

Congress will be doing a great service for this coast if they can find some effective means of remedying this serious situation.

Very truly, yours,

C. E. Dobson, *President.*

This letter is in agreement with the statements from two departments of the government—the Treasury and Commerce—and accords with our conclusions that an emergency exists.

Need of a Merchant Marine

We have already stated that it is our belief that there is no division of sentiment among our people upon this question. We not only need an enlarged merchant marine to meet the present emergency, but legislation which will give us an enlarged American merchant marine, with ships flying the American flag, traveling on sea lines regularly, with scheduled dates of sailing and well-advertised points of destination. Private enterprise has failed to fully give our people these advantages under their own control, and by that failure has seriously interfered with the full development of our foreign trade. It now remains for the government, by wise legislation, to initiate a greater American merchant marine.

It is not desired to create a government monopoly in the shipping business. It is not necessarily involved in the proposed legislation that the government shall permanently remain interested in shipping. Wherever private interests will, at reasonable rates and with proper facilities, serve American commerce in ocean transportation, the government will be more than content to have them do so. By the proposed plan the government will not enter the field of ocean transportation as a cutthroat competitor. Its purpose is to aid and not to injure American commerce, and it must, of course, be recognized that privately owned American vessels in ocean transportation are a part of American commerce, and are not therefore to be hindered, but rather are to be helped. The very steadiness of control that will be introduced into the situation through the proposed measure will itself be an element of aid to the privately owned transportation lines. We shall be content to have a large portion of our foreign commerce carried under the American flag in privately owned

vessels. But we cannot rest content while over 90 per cent of our foreign commerce is carried under foreign flags, subject to the primary interests which naturally arise under those flags, out of our own control in every respect, and with no limitation on charges save the exactions for profit of stockholders to whom American commerce is but incidental to their own stronger interests.

Will Help Our Shipyards

The bill will create work for our shipyards not only in the construction of ships but in the matter of repairs. Our shipyards for the construction of our war vessels successfully outbid the world for the construction of war vessels for Argentina, and it is believed that they can carry this successful competition into the construction of merchant vessels. Besides this the bill will create a demand for material entering into construction, repairs, and alterations, and also for necessary supplies.

The entire proposed cost under this measure is less than is the loss to the nation caused by a fall in price of the present cotton crop of 1 cent per pound by reason of excessive freight rates.

Meets a National Need

The bill creates a government activity and expenditure for the benefit of the commerce of all the people. We have now not over 1,400,000 gross tons of shipping available for the foreign trade, and much of this has, indeed, but a nominal existence, because it comprises old vessels not yet withdrawn from registry, and others whose cargo capacity is insufficient to meet their heavy operating cost. Our flag is rarely seen at hundreds of ports throughout the world. This is a reason for this new governmental activity—a full and sufficient reason for the creation of a corporation or corporations organized or to be organized and controlled by the government of the United States to purchase, charter, control, and operate merchant vessels for the benefit of the agricultural, manufacturing, mining, and commercial interests of the country. The reason is still greater in the face of the fact that a great foreign war has paralyzed our foreign commerce at a moment when new and profitable fields are opening up, inviting our entrance, while private capital and enterprise is unable to remedy the disease.

Senate Document No. 225 of the Sixtieth Congress, first session, entitled "Development of the American Ocean Mail Service and American Commerce," says, on page 65:

> One of the most important features of the voluminous testimony taken all over the country by the Merchant Marine Commission was the insistence of practical men of business—merchants and manufacturers and bankers—not themselves interested in any way in shipowning or shipbuilding, that the lack of American ships prevented us from securing an adequate market abroad for the products of American manufacturing, mining, and agriculture.

It may be safely assumed that the American people will not consent to any change in the conditions provided by law for American seamen. It is furthermore the case that the operation of ocean vessels presents problems of cost of operation which are not finally worked out. Statements are made concerning one or another element of operation of American vessels which are so clouded by private interest or so utilized to enforce a special claim as to make both the present and the possible facts somewhat uncertain. The pending measure will provide an opportunity which private capital cannot extend to determine, free from all question of private interest or prejudice, just what the facts are respecting the cost of ocean transportation under our flag. The cheapest water transportation of bulk freight by steamers is under the American flag, in the specialized ships which carry ore and other bulk cargoes on the Great Lakes. The cheapest ocean transportation for bulk freight is also under the American flag, in the large coastwise schooners upon our Atlantic coast. Private interests have never yet undertaken to determine on any considerable scale whether these facts can be projected further into a larger development of our American merchant marine.

There is the highest marine technical authority for saying that American steamers can be constructed for ocean purposes so that their loading will be much less costly than is that of European-designed steamers; and it should be remembered that it costs more per unit to load and unload cargo into and from a vessel than it does to transport it across the ocean.

There are therefore problems in marine transportation of essential importance to American commerce, but which private capital has not been able hitherto fully to work out. This measure will provide for the first time adequate means for the study of these problems, through which study both private and public interests will gain.

GOVERNMENT OWNERSHIP AND OPERATION OF MERCHANT VESSELS IN THE FOREIGN TRADE OF THE UNITED STATES[1]

Fears are expressed that we will involve ourselves in complications with Great Britain and France if we buy German ships. That may be. The bill does not direct the shipping board to buy ships of the subjects of any particular nation. They have the widest discretion in the purchase or construction of vessels. We have no reason to believe they will act otherwise than with the greatest care in whatever they may do.

The President will have the State Department to advise him on all questions affecting our rights and duties as neutrals. The belligerents have their diplomatic representatives in Washington through whom objection to any proposed purchase may be made, and we should assume that the President and shipping board will avail themselves of all sources of information before acting.

It may be well, however, for the benefit of those who seem to think we have no rights as a neutral power to buy ships of belligerents to call attention to international law governing the sale of enemy ships to subjects of neutral states.

We quote from International Law, Oppenheim, edition 1912, Vol. II, pp. 117, 118, "War and neutrality," "Transfer of enemy vessels":

SEC. 91. The question of the transfer of enemy vessels to subjects of neutral states, either shortly before or during the war, must be regarded as forming part of the larger question of enemy character, for the point to be decided is whether such transfer divests these vessels of their enemy character. It is obvious that, if this point is answered in the affirmative, the owners of enemy vessels can evade the danger of having their property seized and confiscated by selling their vessels to subjects of neutral states. Before the declaration of London, which is, however, not yet ratified, the maritime powers had not agreed upon common rules concerning this subject. According to French practice, no transfer of enemy vessels to neutrals could be recognized and a vessel thus transferred retained enemy character; but this concerned only transfer after the outbreak of the war; any legitimate transfer anterior to the outbreak of war did give neutral character to a vessel. According to British and American practice, on the other hand, neutral vessels could well be transferred to a neutral flag before or after the outbreak of war and lose thereby their enemy character, provided that the transfer, though bona fide, was not effected

[1] 63d Congress, 2d Session. House Report. No. 1149. p. 21-4.

either in a blockaded port or while the vessel was in transitu, the vendor did not retain an interest in the vessel or did not stipulate a right to recover or repurchase the vessel after the conclusion of the war, and the transfer was not made in transitu in contemplation of war.

From reading some of the speeches made in the House when the war-risk insurance bill was under consideration, it might be doubted if we have any rights as neutrals.

In the interest of a well-informed public opinion on this subject, and that doubting Thomases may be convinced that we really have some rights that belligerents are bound to respect, we quote (International Law, Oppenheim, "War and neutrality," Vol. II, edition 1906):

Section 297. Neutrality as an attitude of impartiality involves the duty of assisting neither belligerent either actively or passively, but it does not comprise the duty of breaking off all intercourse with the belligerents. Apart from certain restrictions necessitated by impartiality, all intercourse between belligerents and neutrals takes place as before, a condition of peace prevailing between them in spite of the war between the belligerents. This applies particularly to the working of treaties, to diplomatic intercourse, and to trade. But indirectly, of course, the condition of war between belligerents may have a disturbing influence upon intercourse between belligerents and neutrals. Thus the treaty rights of a neutral state may be interfered with through occupation of enemy territory by a belligerent; its subjects living on such territory bear enemy character; its subjects trading with the belligerents are hampered by the right of visit and search and the right of the belligerents to capture blockade runners and contraband of war.

Section 314. There are two rights and two duties deriving from neutrality for neutrals, and likewise two for belligerents. Duties of neutrals are, first, to act toward belligerents in accordance with their attitude of impartiality; and, secondly, to acquiesce in the exercise on the part of either belligerent of his right to punish neutral merchantmen for breach of blockade, carriage of contraband, and carriage of analogous of contraband for the enemy, and accordingly to visit, search, and eventually capture them.

The duties of either belligerent are, first, to act toward neutrals in accordance with their attitude of impartiality; and, secondly, not to suppress their intercourse, and in especial their commerce, with the enemy.

Either belligerent has a right to demand impartiality from neutrals, whereas, on the other hand, neutrals have a right to demand such behavior from either belligerent as is in accordance with their attitude of impartiality. Neutrals have a right to demand that their intercourse, and in especial their commerce, with the enemy shall not be suppressed; whereas, on the other hand, either belligerent has the right to punish subjects of neutrals for breach of blockade, carriage of contraband, and the like, and accordingly to visit, search, and capture neutral merchantmen.

Section 398. The guaranteed freedom of commerce making the sale

of articles of all kinds to belligerents by subjects of neutrals legitimate, articles of conditional as well as absolute contraband may be supplied by sale to either belligerent by these individuals. And the carriage of such articles by neutral merchantmen on the open sea is, as far as international law is concerned, as legitimate as their sale. The carrier of contraband by no means violates an injunction of the law of nations. But belligerents have by the law of nations the right to prohibit and punish the carriage of contraband by neutral merchantmen, and the carrier of contraband violates, for this reason, an injunction of the belligerent concerned. It is not international law, but the municipal law of the belligerents, which makes carriage of contraband illegitimate and penal.

The question why the carriage of contraband articles may nevertheless be prohibited and punished by the belligerents, although it is quite legitimate as far as international law is concerned, can only be answered by a reference to the historical development of the law of nations. In contradistinction to former practice, which interdicted all trade between neutrals and the enemy, the principle of freedom of commerce between subjects of neutrals and either belligerents has gradually become universally recognized; but this recognition included from the beginning the right of either belligerent to punish carriage of contraband on the sea. And the reason obviously is the necessity for belligerents in the interest of self-preservation to prevent the import of such articles as may strengthen the enemy, and to confiscate the contraband cargo, and eventually the vessel also, as a deterrent to other vessels.

The present condition of the matter of carriage of contraband is therefore a compromise. In the interest of the generally recognized principle of freedom of commerce between belligerents and subjects of neutrals, international law does not require neutrals to prevent their subjects from carrying contraband; on the other hand, international law empowers either belligerents to prohibit and punish carriage of contraband in the same way as it empowers either belligerents to prohibit and punish breach of blockade.

We should assume that the President and shipping board, in the exercise of any powers granted or duties imposed by this bill, will keep well within our rights as neutrals.

Many of the lines now seeking shelter under the American flag, although American owned, may when the present crisis is passed again pass under foreign flags if it is to their pecuniary advantage to do so.

While we need merchant ships to meet the present emergency, let us pursue a policy that will secure them to us after the present conflict in Europe is passed.

The following table may prove interesting as showing our trade relations with Central and South America at the time the table was prepared. We understand conditions have not changed materially since 1911.

Trade between the United States and Nations of Central America, Mexico, South America, and the West Indies.

[Imports and domestic exports for the year 1911 into and from the United States Foreign commerce and navigation 1911, 1091-1124.]

Country	Imports into the United States	Exports from the United States
Nations which by treaty enjoy equal rights with the United States as to direct and indirect trade:		
Honduras	$2,657,009	$2,096,424
Costa Rica[1]	4,838,416	3,434,844
Colombia	8,994,460	4,836,262
Bolivia	327	891,593
Paraguay	34,516	86,986
Argentina	29,090,732	43,753,424
Total	$45,615,460	$55,099,533
Nations with whom the United States have no treaties protecting trade:		
Mexico	$57,450,111	$60,247,097
Guatemala	2,562,488	2,409,383
Salvador	1,463,792	2,090,053
Nicaragua	1,442,299	2,452,945
Panama	3,506,735	20,790,661
Cuba	110,309,468	59,962,955
Haiti	813,713	5,226,640
Dominican Republic	3,632,453	3,741,197
Venezuela	7,635,256	3,739,030
Ecuador	3,628,805	2,234,998
Peru	9,314,030	5,589,604
Brazil	100,867,184	27,150,672
Chile	19,941,000	12,037,140
Uruguay	1,613,736	5,262,367
Total	$324,181,070	$212,934,742
Grand total	$369,796,530	$268,034,275

[1] Treaties protect only the direct trade.

The following summary of the Latin-American trade situation, prepared by Hon. John Barrett, director general of the Pan American Union, may be interesting and instructive, as it is of recent date.

Following the receipt by cable this morning (September 6) from Latin-American capitals of the latest commercial data, Di-

rector General Barrett, of the Pan-American Union, has prepared without delay, for the information of the United States commercial interests, a revised compilation of the very latest figures of Latin-American commerce, of which a brief summary is given below.

The twenty Latin-American countries of Central and South America conducted in 1913 a foreign commerce valued, approximately, at $3,000,000,000. The exact total was $2,870,188,575. Of this total, the imports were valued at $1,304,261,736 and the exports at $1,565,916,812. This gives Latin-America a favorable balance of $261,655,049.

Of the principal sources of origin of Latin-American imports Great Britain furnishes products valued at $322,036,347; United States, 317,323,294; Germany, $216,010,418; France, $103,220,223; Italy, $55,494,413; Belgium, $48,747,164; Austria-Hungary, $9,026,478; Netherlands, $8,293,859; Switzerland, $6,189,050; all other countries, $217,290,517. Although the United States ranks second the possibilities for building up its trade are shown by the fact that the total of Latin-American imports, aside from those coming from the United States, amount nearly to $1,000,000,000, or exactly $986,938,469.

The exports of Latin America, the European market for which is now greatly lessened by the war, amounted in 1913, approximately to $1,566,000,000. Of this total the United States was the greatest purchaser, taking products valued at $504,378,212. Then came other countries as follows: Great Britain, $316,419,914; Germany, $192,394,702; France, $120,907,415; Belgium, $62,557,566; Netherlands, $43,277,631; Italy, $27,964,001; Austria-Hungary, $23,294,991; and all other countries $247,722,380. Although, therefore, it will be seen that Latin America sells in large quantities to North America, she exports to other countries, the majority of which are engaged in war, products valued at $1,061,538,600.

THE GOVERNMENT AND THE SHIPPING PROBLEM[1]

In this matter of foreign shipping, the welfare of practically all our people is concerned, and I would rather do an injustice, if it meant doing an injustice, to a small fraction—less than one-half of one per cent of our population—than to our entire population.

But, need there be any competition between vessels belonging to the Government as auxiliaries to the navy and Capt. Dollar or any other man or company now engaged in foreign trade? I think not. The Government is doing a great many things today that in a sense compete with private citizens. I could give you a long list, starting, we will say, with the parcel post and the postal savings bank, going clear along the line—the Panama Railroad, owned by the Government; the Alaskan Railroad, now being built and perhaps hereafter to be operated by the Government; the steamship line from New York to Colon, owned and operated by the Government—even dredging operations could be performed by private companies engaged in that business. Why, if you stop to think of it, the Congressional Records and public documents could be printed by private concerns; even the money in your pocket could be printed and engraved by private concerns. Now, the Government is doing a lot of things of that kind, and I have not heard of any of these industries that come in contact with the Government being ruined because the Government was doing that kind of work.

In fact, there are some kinds of work that private individuals would like to do that experience has shown it is not best to let them do. Take, for instance, the furnishing of a supply of water for New Orleans. This city has its water supply from the Mississippi River. It has its filtration plant and it furnishes good sanitary drinking water to the people. Now, that is a proposition that is better performed by a municipality than by a private company. It has been found that in many things of that kind you cannot trust individuals, because as cities grow and business increases, their ideas increase and unless they are bound down by the strictest ordinances they will add to their profits and do things that are unjust to the people. So, we all agree that

[1] By Hon. Edwin F. Sweet, Assistant Secretary of Commerce, Washington, D. C. Third National Foreign Trade Convention. Official Report. p. 205-14.

in many of these things it is better for the city or for the country to do its own work.

Now, in this matter of shipping, let us not get that confused with the idea that the Government is going into the shipping business wholesale with a view of driving everybody else out of the business. On the contrary, if the Government should buy these auxiliaries or build these auxiliary ships for the navy in the navy yards, the purpose, as I understand it, would be to lease them to private companies or individuals, with a clause in the lease providing that the Government may cancel that lease whenever it sees fit or may need these vessels in time of war or otherwise. I dare say it will be claimed that it will be difficult to lease, to find lessees, for these vessels, but I think not. There are many places in the country, and between different countries, where vessels are needed, not only now, but in normal times. I am not speaking now of those tremendous freight rates way out of sight, but in normal times the Government could afford to lease these vessels at a comparatively low cost or low price, or charter them, and private companies could afford to pay it rather than to own their own ships, and the men, the sailors upon these ships, under a proper provision of the lease, could be American citizens who would agree by a part of the contract that for extra wages which should be paid them, they would hold themselves ready to go with the vessels in time of war and stand up for their Government and aid it in time of need.

Now, I am not going to elaborate at great length. My time will not permit, but the point is that these leases could be made, in my judgment—at least, it could be tried.

I have said enough to indicate that there are some very complicated questions in connection with this whole marine problem, and that is what I have wanted to bring your minds to, not to the fact that any precise thing should be done, but to the fact that certain things can be done, and that some way ought to be provided for doing them, and that brings me to the point where I stand practically upon the same platform as my friend Capt. Dollar and this organization, and that is, that there ought to be appointed a non-partisan expert commission of men who thoroughly understand the shipping business, better than you do, better than I do, as well as Capt. Dollar does, and without any personal interest in the business, to formulate a plan upon which our merchant marine can be built up.

I am not going to elaborate that point to any great extent. I differ from these gentlemen somewhat along this line: they favor, and this organization favors, a body of that kind that shall make an investigation and report to Congress. I want, in view of the exigencies of the case—I want that commission to be a committee with power to act, and to act promptly. It would be just as safe a body to entrust this great big problem to as a tariff commission would be to trust the tariff problem to, or as the Interstate Commerce Commission is to trust the problems that come before it to. We have found that if commissions of this kind fail to do their duty, there is a way of putting them out of business. We found that with regard to the Commerce Court. Congress can refuse appropriations for any commission or committee. It rests in the men that you send to Congress, your representatives, to say whether a commission of that kind shall live or die, and it could only live by reason of its good work.

Now, you cannot assume, my friends, that the Government of the United States is engaged in the business that it is doing for the purpose of injuring the people of the United States. Why, look at our own Department of Commerce—look at the foreign attachés; look at that exhibit out in that room there; see what the Government is doing to help foreign trade; see what the Government is doing through its lighthouse service, through its coast survey, in charting our coasts; see what it is doing through our Bureau of Standards to help manufacturers in your dye business and everything else. Why, at the beginning of the war, Dr. Stratton, of the Bureau of Standards, told me he had been trying for years to get American chemists to make their own chemicals and dyes, that they could have done it just as well as not, but they thought it was too small for them, too petty, it didn't look big enough for Americans to do, and he thought that one of the assets of the European war would be that it would force us to do a lot of things we ought to have done of our own accord.

So, I leave you with this thought: the Government of the United States is your government. It is you. In the final analysis it is you, it is the people of the United States, the planters, the farmers, those who are engaged in the fundamental industries and are so much interested in foreign trade and in establishing it, the merchants, the manufacturers. The Government all along the line is doing what it can to help, and not to hurt, and

in shipping let there be provided a board of the right kind of men, disinterested experts, non-partisan. This is no party question. It does not make any difference whether we agree on other national problems: this is one that affects us all, and we ought all to lay aside our petty partisanship and join hand in hand and shoulder to shoulder to give us the merchant marine that we ought to have had.

AMERICAN MERCHANT MARINE[1]

Objections to the shipping bill now before Congress have developed from two sources. It was to be expected that there would be objection by shipping interests which have been reaping the benefit of American inactivity in the foreign shipping trade. It was also to be expected that certain financial interests and their affiliations, especially those interested in foreign shipping, would object to a Government merchant marine.

Opponents to the bill have advanced arguments to sustain their position, but not one of them will stand analysis. Many newspapers and periodicals are opposing the bill, but the fact that they enjoy considerable advertising and other patronage from the steamship lines and the financial interests that are opposing the bill may go far toward explaining their position on this great question of an American merchant marine.

(1) Opponents to the bill say that there are a large number of ships at present in American harbors unable to get cargoes; hence there is no need for a government merchant marine.

A recent investigation has proven this not to be true. Ships seek cargoes at all times, but the present chartering market is very firm, and when the question of foreign credits is settled and commerce begins to move, as it must very shortly, there will be a positive famine in ships, as over 5,000,000 tons of German and Austrian shipping are completely out of commission, to say nothing of the large number of British, French, and Russian merchant ships which have been taken over by their respective governments for transports and naval auxiliaries.

There are, all told, considerably less than 100 American ships

[1] An article prepared by the Southern Commercial Congress on the proposed establishment of a merchant marine. Printed as Senate Document No. 601. 63d Congress, 2d Session.

in the foreign trade in the whole world, including all of the ships which have just taken American registry to secure the protection of the flag on account of the war. None of these ships are idle. Therefore, even though there were hundreds of idle ships in every American harbor, it would not alter the necessity for passing the shipping bill now before Congress, as all such ships would be foreign ships, and the object of this bill is to establish an American merchant marine.

(2) Opponents to the bill say that if the government will not enter the shipping business private capital will provide an American merchant marine.

This is rather inconsistent with their statement that the harbors are full of idle ships, for, if that is true, private capital will find no attraction in the shipping business.

What likelihood is there to obtain private capital for this new business, especially to the amount contemplated by the shipping bill, $40,000,000, when long-established, going concerns find it impossible to obtain money except at heavy rates.

When the city of New York must pay 7 per cent, including bankers' commissions, for a loan of $100,000,000; when the State of Tennessee found it most difficult to obtain a loan of $1,400,000, it is quite certain that private capital will be unable to provide an American merchant marine, especially as it did nothing in the matter while the opportunity was open during the past fifty years.

(3) Opponents to the bill say that the government will lose much money in this business.

This argument has been their favorite one. The bugaboo of increased taxes, "loss of the initial investment every three years," and much more of the same nature has been circulated in an effort to defeat the bill.

The shipping business is one of the most profitable in the world. Special Diplomatic and Consular Reports, page 39, says:

> The White Star Line, in 1910, earned a net profit of £540,000 sterling on a capital of £750,000 sterling after writing off £370,016 sterling for depreciation. A dividend of 30 per cent was paid in that year.

The Holland-Amerika Line earned about 50 per cent net on its capital during the first fiscal year of 1913. The Hamburg-American Line earned about 30 per cent net during its fiscal year of 1913. These are only a few specific instances of steamship-line earnings. They are not at all unusual, but are the regular thing in the shipping business.

F. E. Dixon & Co., of London, who own and operate a large fleet of "tramp" freighters, showed earnings of about 50 per cent net last year, which proves that steamship earnings are large in the irregular services as well as in the regular lines. In fact, the profits in the steamship business are so large that frequently the entire cost of a ship is earned in two years.

The question will arise, Why have not Americans gone into such profitable business? The answer is, For the same reason that Americans have neglected the vast foreign export trade; they have been too busy with their industries at home.

But, unlike the export trade, which each manufacturer can work up individually, to establish an adequate merchant marine is so large an undertaking at this time and involves so large an amount of money, that if it is to be done at all, it must be done by the government.

(4) Opponents to the bill say that there will be danger of the United States violating neutrality if it operates merchant ships at this time.

The report of the Committee on the Merchant Marine says:

> We have rights as neutrals as well as duties to be observed. . . . The President will have the State Department to advise him on all questions affecting our rights and duties as neutrals. . . . We should assume that the President and shipping board, in the exercise of any powers granted or duties imposed by this bill, will keep well within our rights as neutrals.

On this point the Secretary of the Treasury, McAdoo, also says:

> The board proposed in this bill consists really of the President of the United States and certain Cabinet officers therein mentioned. I think there is no more punctilious citizen of the United States with respect to the neutrality of this country than the President of the United States. I think you may safely depend on it, if this bill is passed and this board is vested with power to act, that that power will be exercised in such a way that the neutrality of this country will be preserved.

(5) Opponents to the bill make an alternative proposition that we should build up an American merchant marine by granting subsidies.

Subsidy seekers have managed to create a belief that the merchant marines of European countries, especially the merchant marines of the two greatest maritime countries in the world, Great Britain and Germany, have been built up by granting subsidies to its shipping. Neither of these countries grant subsidies except to a very limited extent and for very special service.

The Hamburg-American Line, the largest and perhaps the most successful steamship company in the world, has never received a subsidy. A moderate subsidy was granted by Great Britain to the Cunard Co. in connection with the steamers Mauretania and Lusitania, but that was chiefly to keep the Cunard Co. from selling out to the International Mercantile Marine, the combination organized by J. P. Morgan & Co. Over 90 per cent of the total tonnage of Great Britain does not receive a farthing of subsidy.

It will surprise many to know that the United States pays a larger subsidy to four American ships owned by the International Mercantile Marine, namely, the New York, Philadelphia, St. Paul, and St. Louis, than is paid by any foreign nation for similar service. This country pays to these ships an annual subsidy of about $735,000, and obtains practically nothing in return for this except the carrying of the mails on these steamers, which, at regular rates, would amount to only a trifling fraction of the amount of the subsidy. As a matter of fact, most of our mail goes forward on foreign ships, as they are much faster and they sail more frequently, the subsidized American ships being among the smallest and most out-of-date steamers in the North Atlantic trade.

The extraordinarily large profits in the steamship business show that steamships can be operated profitably under the American flag without a subsidy, in spite of the somewhat higher wages and better living requirements of American seamen; therefore it will be well-nigh impossible to obtain a subsidy simply to make up the extra profits possible under foreign flags. For the same reason we will never have an American merchant marine unless it is established by the government, because such private capital as may go into the foreign shipping business will operate under foreign flags to get the benefit of cheaper operation when the dangers of war are passed.

The present war has made it possible to secure, at most favorable prices, an excellent choice of modern, up-to-date steamers of different nationalities, also many steamers not yet out of the builders' hands, hence not yet nationalized, at less than the contract price. Also, as a result of the war, the financial success of the enterprise is more fully assured, as we will not have the competition of the warring nations to the same extent that we would have in times of peace.

The $40,000,000 called for by the shipping bill will not be an

expense, as the bill's opponents are pleased to call it, but it will be an investment of the first class without considering the enormous advantage to the whole people of the United States in having an American merchant marine under government control and the great reduction in rates that will be possible, as the government will not desire net earnings of from 30 to 50 per cent on its investment, but will be content with only a fair return.

It would be little short of a political and economic crime if we did not avail ourselves of the present almost unbelievable opportunity to do in a most practical manner that which Congress was endeavoring to do before the commencement of the war as best it could by means of the Weeks bill.

NEGATIVE DISCUSSION

PROMOTION OF FOREIGN COMMERCE OF THE UNITED STATES: VIEWS OF THE MINORITY[1]

The facts in regard to the present situation in relation to shipping seem to be about as follows:

According to a report of Mr. E. T. Chamberlain, Commissioner of Navigation, filed with the Committee on Interoceanic Canals on April 20, 1914, the gross tonnage of merchant vessels of the several countries as recorded in Lloyd's Register for the current year amounted to 46,970,113 tons, being the aggregate of a total of 30,591 vessels, including both steam and sailing craft.

Number and net and gross tonnage of steam and sailing vessels of over 100 *tons of the several countries of the world, as recorded in Lloyd's Register for* 1913-14.

[Report of the Commissioner of Navigation (1913).]

Flag.	Steam			Sail		Total	
	No.	Net tons	Gross tons	No.	Net tons	No.	Tonnage
British:							
United Kingdom	8,514	11,109,560	18,273,944	700	422,293	9,214	18,696,237
Colonies ..	1,495	915,950	1,575,223	578	160,083	2,073	1,735,306
Total..	10,009	12,025,510	19,849,167	1,278	582,376	11,287	20,431,543
American (U. S.):							
Sea	1,209	1,280,958	1,971,903	1,487	1,026,554	2,696	2,998,457
Northern lakes .	593	1,724,566	2,285,836	34	96,854	627	2,382,690
Philippine Islands	69	27,080	44,555	8	1,934	77	46,489
Total ...	1,871	3,032,604	4,302,294	1,529	1,125,342	3,400	5,427,636

[1] 63d Congress, 3d Session. Senate Report No. 841. Part 2.

Flag.	Steam No.	Steam Net tons	Steam Gross tons	Sail No.	Sail Net tons	Total No.	Total Tonnage
Argentinian..	236	107,172	180,576	72	34,259	308	214,835
Austro-Hungarian.	419	629,444	1,010,347	8	1,067	427	1,011,414
Belgian	164	186,581	296,196	8	8,190	172	304,386
Brazilian	402	188,645	313,416	57	16,221	459	329,637
Chilean	95	68,834	108,491	36	31,301	131	139,792
Chinese	66	55,375	86,690	....	....	66	86,690
Cuban	55	37,902	60,895	4	641	59	61,536
Danish	552	415,880	711,094	259	50,960	811	762,054
Dutch	662	794,840	1,286,742	97	23,107	759	1,309,849
French	987	1,029,113	1,793,310	565	407,854	1,552	2,201,164
German	2,019	2,877,887	4,743,046	302	339,015	2,321	5,082,061
Greek	365	443,771	705,897	77	16,885	442	722,782
Haitian	5	2,017	3,387	....	....	5	3,387
Italian	591	773,848	1,274,127	523	247,815	1,114	1,521,942
Japanese	1,037	956,702	1,500,014	....	....	1,037	1,500,014
Mexican	43	22,838	37,920	....	2,129	52	40,049
Norwegian ..	1,597	1,122,577	1,870,793	594	587,097	2,191	2,457,890
Peruvian	20	13,352	25,814	40	19,700	60	45,514
Portuguese ..	105	55,903	92,636	103	27,943	208	120,579
Roumanian ..	32	25,011	45,123	1	285	33	45,408
Russian	716	463,022	790,075	500	184,103	1,216	974,178
Siamese	12	7,955	12,936	....	....	12	12,936
Spanish	547	506,073	826,261	60	14,734	607	840,995
Swedish	1,043	551,964	943,926	393	103,344	1,436	1,047,270
Turkish	135	65,402	111,848	137	45,450	272	157,298
Uruguayan ..	50	38,360	62,215	15	13,316	65	75,531
Venezuelan ..	8	2,420	4,232	5	679	13	4,911
Other countries[1].....	54	16,027	29,709	22	7,123	76	36,832
Total ..	23,897	26,517,029	43,079,177	6,694	3,890,936	30,591	46,970,113

It will be noticed that this report includes all vessels of over 100 tons burden, and that a considerable percentage of it must naturally be engaged in domestic or coastwise trade.

It is difficult to determine what portion of this total has been withdrawn as the result of the war. A circular issued by the Boston Maritime Association under date of December 15, 1914, gives the following estimate:

German and Austrian steam tonnage, 2,438 vessels	3,507,331
British vessels under government charter, 500 vessels	1,700,000
British vessels seized.....	265,000
Vessels lost by mines, etc.	330,683
Tons	5,803,014

[1] Includes Bulgaria, Colombia, Costa Rica, Ecuador, Egypt, Honduras, Liberia, Montenegro, Nicaragua, Oman, Panama, Persia Salvador, Samos, Sarawak, Tunis, Zanzibar, etc.

The feature of the shipping situation which has attracted the most attention, as indicated in the estimate quoted above, has been the alleged scarcity of tonnage due to the seizure of numerous German and Austro-Hungarian ships and the withdrawal of the remainder from service, also the chartering by the British and French Governments, especially by the British, of a considerable share of the tonnage of those countries for military and naval purposes.

The per cent of loss in the carrying capacity of ocean trade due to these causes has been variously estimated. Any considerable reduction would, of course, naturally produce serious consequences. It should not, however, be forgotten that the normal results are to a large extent offset by other considerations. No doubt the export of certain classes of commodities from the United States to foreign countries has somewhat increased because of the exceptional demands for munitions of war and other materials, of which an increased supply is needed or which were formerly supplied from other sources. There is also an increased demand for food products. Some commodities which were usually carried directly into such countries as Denmark, Holland, France, and Germany are now sent from the United States, as in the case of tea, coffee, or cocoa. Other countries near to the theater of war are seeking to secure a supply of certain articles with a view to providing against such exigencies as may arise.

On the other hand, there is not merely a decrease in the exports and imports from Germany and Austria, but their foreign trade by sea has practically disappeared. This operates as an offset to the shortage of vessel tonnage. Also in other localities, especially in South America, financial conditions and the withdrawal of credits usually extended have limited buying capacity and consequently exports to those countries, which formerly consisted largely of material for railways and public-service improvements have diminished considerably. It is not improbable that on the whole the world's trade has diminished in a ratio commensurate with the loss of ocean tonnage. So far as the United States is concerned this loss is further compensated by the fact that such vessels as are able to continue in the trade naturally seek the more profitable freight of a neutral country. The number of ships which have entered American registry since the outbreak of the war and the domestic shipping which has engaged in the foreign trade are evidences of this fact.

That there has been a very considerable increase in freight rates along some routes and for certain commodities is not to be denied. It would, however, be easy to draw the incorrect conclusion that this is wholly due to lack of available tonnage. As a matter of fact, at least until very recently, there has been an abundance of unchartered tonnage available at American ports. The same bulletin of the Boston Maritime Association, already quoted, contains the following paragraph:

> Repeated offers of sail tonnage for coal to South American ports at equitable rates have no results, and there are at present tied up in Boston four steel ships for which payable business can not be obtained. This association has given a list of Boston-owned tonnage to the Secretary of Commerce, representing over 200,000 dead-weight capacity, which could be chartered foreign if rates could be obtained that would pay for round.

The actual reason for the increase in freight rates does not seem to be the result of the lack of tonnage. The existing war furnishes other adequate causes for the present situation. The following are the abnormal or exceptional conditions created by it:

1. The derangement caused by the war, which includes the danger of capture or detention and the scattering of mines near to harbors and along navigable routes. All of these greatly increase the risk of navigation and consequently the cost of carryig freight.

2. The probable delay in the handling of boats engaged in trade with countries involved in the war, due to the fact that the harbors of the belligerents are congested by the presence of large fleets of vessels. It is also difficult to obtain men for loading and unloading and for necessary repairs. There is a further difficulty in obtaining access to wharves and dry docks. As illustrations of the congestion and delay in foreign ports the following specific cases may be mentioned: A ship sailed from Baltimore to Havre, the voyage occupying about 14 days. Under normal conditions she would have discharged her outgoing cargo and be ready to return with whatever cargo was obtainable in 7 to 10 days. The boat arrived at Havre at the end of November and was detained there over 20 days. It is not certain that she has left yet, as she was compelled to go to Cardiff for coal, which caused additional delay.

The ship Missourian sailed from New York November 29 for a French port. She carried some 1,500 horses and could have

carried 8,000 tons of cargo at $8 a ton. It was ascertained that she would be detained in the discharge of her cargo and there would be no profit for the freight carried, even at the unusual price named. Instances have occurred in which boats have been detained in port for almost 60 days in discharge of general cargo.

3. When a boat sails to a foreign port there is no certainty that she can obtain a cargo or supply of coal for the return voyage. It is desirable to carry coal for a round trip from the port of departure, which, to the same extent, reduces cargo capacity.

4. The additional cost of war-risk insurance, ranging from a minimum of three-eighths per cent for the round voyage upon cargo or vessels engaged in trade in the Western Hemisphere to 3 per cent for the round trip to Rotterdam and 5 per cent for the round trip to Bremen, and the limit of the amount to $750,000 which the Government War Risk Bureau will place on both ship and cargo.

5. At the beginning of the war the situation was complicated by the breakdown of exchanges and credits. This condition still exists in some localities. The factor which prevented the carrying of exports abroad was by no means scarcity of boats; the problem was rather a financial one. Indeed, in the early months of the war there was a large amount of shipping in ports of the United States, not only upon the Atlantic, but even more in Gulf ports. These boats awaited cargoes, chiefly grain and cotton, which under normal conditions would have been sent at that time, but which were withheld for reasons other than lack of tonnage. An important feature of the situation relating to the cotton trade was the determination of the Liverpool Cotton Exchange not to make purchases. It will be particularly noted that none of the causes of increased freight rates will be remedied by an increase in the number of available vessels.

As a matter of fact, except in relation to consignments to ports of belligerents which are regarded as especially dangerous, notably those in the North Sea, and in relation to cargoes of doubtful character, that is, those that might be construed to be contraband, the rates have not increased in as great a degree as seems to be popularly assumed.

A special bulletin regarding the foreign shipping situation issued by R. G. Dun & Co., under date of October 19, 1914, contains the following paragraph:

Maritime freight rates in general have declined as compared with three

weeks ago. To Europe the excess over normal rates does not exceed 25 per cent on the average. To Asia, Africa, Australia, and New Zealand the premium varies from 20 to 25 per cent. . . .

Special bulletin of R. G. Dun & Co., under date of December 29, 1914, contains the following items:

The ocean rates to Asia, Africa, Australia, and New Zealand are as a rule either no higher or somewhat less than they were last October. To the west coast of South America the rates are very nearly what they were prior to the outbreak of the war.

Rates of war-risk insurance have, on the whole, declined in the last two months.

Both these bulletins indicate that from all the more important ports of the United States regular sailings have been resumed, and that generally speaking there is sufficient tonnage to meet all demands.

It will be found that, generally speaking, rates of freight have not increased more than 25 per cent during the war period to any South American port. In many instances the increase is very slight.

While the rates to European ports have naturally increased in greater ratio the increase has not been as exceptional as might have been expected. In fact the increase has not been disproportionate to increases which have occurred in times of peace. It will be noticed, for example, that the average rates on grain and flour from New York to London for the year 1912 were nearly double those for 1911; also that rates on grain from New York to Liverpool were, at some time during the quarter, quoted as low or lower during the last three months of the year 1914 as the maximum rate for the same period of the year 1912.

The Remedy Proposed

In its more important features the above is substantially the situation with respect to which the proposed bill must be considered. In the first place it is doubtful whether the conditions outlined constitute an emergency calling for a departure from all former policies of the federal government in relation to American industries. In the second place, if this be conceded, will the provisions of the proposed measure effect a satisfactory remedy, waiving entirely for the moment all fundamental questions as to the expediency of government ownership? The advo-

cates of the measure undoubtedly expect to accomplish two main purposes—one to promote the development of trade with Central and South American countries and the other to lower freight rates on American commodities to European ports. It is quite out of the question that the means proposed in this bill will accomplish either. In the first place it would be impossible to build sufficient ships in a short period of time to produce any material effect upon the amount of available tonnage. It is generally agreed that nothing effective could be accomplished by this means

To merely transfer ships from private to public ownership would accomplish nothing. The only other course apparently open is to purchase foreign tonnage now interned as the result of the war. It is of course open to question whether this could be accomplished without serious complications. Even if we persisted in our right to make such purchase it would be entirely possible for any offended nation to retaliate in a manner which would affect our foreign trade much more seriously than any real or imaginary lack of tonnage. It would therefore seem that the opportunity of materially changing the economic situation by increasing tonnage is quite impracticable. If such an outcome were seriously contemplated by the authors of the bill the initial capitalization proposed is nothing short of absurd. The results that could be produced within the limits contemplated would be insignificant. So far as the difficulty arises from shortage of tonnage, the only really practical suggestion in the bill is to release any unnecessary tonnage now utilized for auxiliary naval purposes. This could be readily accomplished without resorting to the doubtful machinery of the proposed bill. Let any such ships be chartered directly to such private agencies as may require their use.

If the reduction of freight rates is seriously contemplated in the proposed measure this could be much more effectively accomplished by more direct means, two or three of which may be suggested. First, the control of rates might be vested with the Interstate Commerce Commission as proposed in the recent report of the Committee on Interoceanic Canals of the United States Senate and in the majority report on this bill in the House of Representatives. A less mandatory means might be found in chartering public vessels to private concerns with restrictions on freight charges. It has been suggested that if the government

wished to lend financial aid without resorting to direct or indirect subsidies, a provision might be made to loan at a small rate of interest, say 3 or 4 per cent, an amount equal to not more than 50 to 60 per cent of the cost of the ship. This advance would of course be adequately secured by first mortgage and suitable insurance. Postal savings funds, it is conceivable, might be used for this purpose. Under present conditions the most serious handicap so far as some of the more important European ports are concerned is the excessive cost of insurance. At any rate much simpler and more direct means can be devised to accomplish the purposes sought than those proposed in this bill.

In so far as it is the purpose of the bill to promote trade in Central and South America, it is again peculiarly ill adapted to the purpose. The history of trade development clearly indicates that it may not be expected to follow the mere opportunities of transportation. A great many other factors enter into its creation. It is a significant fact that quite a number of the more conspicuous transportation companies have developed from trading companies or associations of merchants. For example, one of the more important lines trading with the west coast of South America grew out of a concession by certain South American countries for the production of and exportation of nitrates. Having developed this business and secured a market, it was quite desirable to develop an outgoing traffic, resulting eventually in the establishment of a successful line of merchant vessels. Similarly the United States & Australian Steamship Co. is said to have resulted from a combination of merchants who, having developed certain trade, found it desirable to charter ships for transportation.

No doubt other equally conspicuous examples could be cited to show that merchants' or traders' activities must precede or at least be intimately associated with the development of a successful transportation line. New trade routes are most apt to be built up with countries whose resources are just being developed. Such countries usually lack capital, and not infrequently transportation companies when not the owner of the product must advance capital to those who are developing natural resources and producing merchantable products. It is said that the success of the Germans in developing trade has frequently depended on processes of this sort.

Can it have been contemplated by the proponents of this measure that the United States would embark upon trading enterprises? If so, the details of such a plan should certainly be revealed. It would be interesting to know exactly how this is to be accomplished. If such a course is not contemplated, then the expectation of stimulating our trade relations by the provisions of this bill would prove utterly futile.

Objections to Permanent Government Ownership of Ships

Taking up the alternative supposition, namely, that the bill contemplates a permanent policy of the government, inevitably raises the whole question of the expediency of government ownership. The general arguments against this policy run with full force against this particular application of it. We may briefly state the principal objections to the general policy of government ownership as follows:

(*a*) Subtraction from the field of personal endeavor, (*b*) destruction of individual initiative and motive for effort, (*c*) the constant tendency to maximum costs, (*d*) multiplication of government employees and officials, (*e*) increased opportunity for corruption, (*f*) labor suspicion of the motive to invent and improve the facilities of service, etc., and in general it may be said that industries reach their highest perfection and greatest efficiency when allowed to develop in the free play of economic forces. This is a process of constant change and adaptation calling for high executive ability and the utmost freedom of action, while government agencies are necessarily sharply limited by absolute law and tend to become stereotyped, cumbersome, and immobile.

It is, however, to the special objections to the scheme of government ownership proposed in this bill that attention is directed. With the exception of those who favor government ownership in whatever form because it accords with their belief in a socialistic state, even its most radical advocates have limited its scope to two classes of industries, (*a*) public-service enterprises which naturally tend to become monopolistic and (*b*) certain activities supposed to be closely associated with the moral or social interest of a community. Of the latter class may be mentioned bathhouses and lodging houses in some instances owned by municipalities.

The essence of the argument for public ownership of certain

public utilities is that their highest efficiency and minimum costs are attained under monopolistic conditions. With the element of competition removed as a check on charges and deterioration of service the necessity of public control immediately arises. Under such conditions the expediency of public ownership may be argued with considerable plausibility. It is to be noted that such activity is exclusive in the given field and thus eliminates entirely competition with private interests and modifies materially other difficulties, such as labor problems, etc.

The experiment in government ownership as proposed in this bill cannot be justified by any of the arguments which apply to the taking over in its entirety of a naturally monopolistic public enterprise. The field which it invades is as far from naturally monopolistic conditions as could be selected. No public franchises are required, no streets are occupied or torn up or other public property laid under tribute, no special privileges are granted, nor uniformity of service required.

The bill provides merely a plan by which the government may become a competitor in the shipping business with private shipowners, and at least for a considerable time a comparatively small competitor. Only one of two results could follow: If the government should go into the business expecting to earn a reasonable profit, such as the minority stockholders, as provided for by the measure, might reasonably anticipate, and should fairly subject itself to all the economic conditions of the trade in buying, maintaining, and operating a fleet of merchant ships, making adequate provision for depreciation and obsolescence and for ordinary and the present extraordinary risks and losses, it would not materially change the existing status.

If, on the other hand, the government should pursue the policy of operating its boats on a no-profit basis, it would of course have the result of immediately driving private competitors off any route it chose to invade. It would also immediately check or stop the investment of private capital in the shipping trade. In short, instead of increasing tonnage, it would very soon reduce it, eventually doing more harm than good. The testimony of Mr. Huebner before the Committee on Interoceanic Canals of the United States Senate, as recorded in the hearings on H. R. 14385, on pages 100 and 101, indicates that such government-owned merchant vessels as already exist, in order to promote the general interest of shippers as well as shipping, have been obliged to enter

conference agreements or at least tacitly concur in such arrangements.

This by no means exhausts the difficulties to be encountered by the federal government in becoming a competitor in the shipping trade. If such vessels were to engage in foreign trade they would almost surely come in competition with the foreign-owned lines. Should they attempt to establish unprofitable rates in order to promote American trade, it is easy to predict that foreign governments would devise retaliatory measures which would more than offset the advantage sought.

One of the provisions contained in the bill for securing ships aggravates the dangers of international complications. Undoubtedly it was one of the inspiring motives for those who framed this bill to release boats which have been interned as a result of the war. Whether such vessels could be purchased without giving offense is a delicate question. One of the policies of the present administration accorded universal approval is that of maintaining the most circumspect neutrality. The President has gone to the almost unprecedented limit of using his utmost endeavor to discourage private loans to belligerents. It is consistent with so strict an application of the policy to make, at least indirectly, available to one of the belligerents many millions of dollars which had been made unavailable by the incidents of war?

Perhaps a still more perplexing problem would arise out of questions incident to the status of government-owned merchant vessels. Determination of questions of this sort would certainly subject international law and international customs to wholly new circumstances. Would such boats have the quality and be subject to the amenities due to war vessels, or would they subject the dignity of the United States to the treatment accorded to privately-owned merchant craft on the high seas? Undoubtedly the most disturbing element of the present conflict so far as the United States is concerned is the attitude taken by one of the belligerents toward the shipping of neutral nations. This has been the subject of repeated protests and has recently caused the President to file with the government referred to a note of emphatic disapproval.

It is not necessary to enumerate in detail the difficulties to be encountered. The right of search now maintained would certainly subject a government-owned vessel to serious embarrass-

ment. Even the fact that such vessels might be expected to maintain exceptional precautions as to their cargo and manifests, yet the constantly changing character of contraband goods, being apparently limited only by the declarations of belligerents, would be a constant source of uncertainty and irritation. In short, every such craft set afloat would add one more risk of our being drawn into the present war, to avoid which is the most united and fervent desire of all American citizens.

WHY OUR SHIPPING HAS DECLINED[1]

The pretence that our export business has suffered because there was so little shipping under the American flag will not stand a moment's examination in the light of the facts. Even at the present time, when all trade is disarranged by the greatest of wars, our exports are enormous. Rates are high chiefly because the prices of wheat and cotton in Europe are, or have been, so high that vessel owners have for once the chance of profiting by the competition of shippers. The American farmer who is getting nearly twice his usual price for wheat must laugh uproariously over the Presidential sympathy on account of the high ocean freights. When cotton was twice as high in Bremen as in New York, the shipper could afford to pay well for transportation, and the vessel owner made him do it.

Our total exports exceeded a billion dollars in 1892, and two billions in 1911, and approached two and a half billions in 1913, and reached three and a half billions in 1915. To talk of the restriction of our exports because they go abroad chiefly under foreign flags is to trifle with ordinary intelligence. Vessels are in all our ports hunting for cargoes for everywhere. More nonsense has been uttered about our South American trade than on any other subject except paper money. One of the commonest follies is to say that our exports have to go to South America by way of Europe. If it were true, it would not involve a much more circuitous route than nature decrees. There are statesmen and business men who suppose that if a steamer from New York wished to reach Buenos Aires, it would steer due south if it

[1] Unpopular Review. 5: 306-17. April, 1916.

could. That would carry it to the Pacific ocean, far west of Valparaiso. There is only a small fragment of South America that does not lie east of New York. An official of the Department of State has lately returned from South America with the information that the extension of our trade in that region demands American steamers and the education of our bankers. The proposition that our government officials should educate our bankers is extremely humorous.

How valuable the testimony of this official is may be estimated from the fact that he confessed:

"I went there under the impression that our goods were unknown, and that it would require considerable work to introduce them. I discovered that our goods are used and liked all over the land, and the people of those countries are wondering why we do not sell them direct instead of sending them by way of London."

Here is a part of the world to which our exports increased in value from $41,000,000 in 1903 to $146,000,000 in 1913, and they are now running at the rate of $170,000,000, and this State Department official went there supposing our merchandise was unknown. As to his notion that our exports go by way of London, we have the fact that in the fiscal year 1913, 969 vessels with cargoes and 59 in ballast cleared from the ports of the United States for the ports of South America, and in 1910 Commercial Agent J. D. Whelpley reported regarding Argentina:

It will be seen from these figures that there is no lack of shipping facilities for cargo from New York to the River Plate, nor is there complaint to that effect from shippers. The days when it was necessary to ship goods to Argentina by way of Europe have passed.

That there is ample supply of shipping—at least for South America—is certified to not only by the commercial report above quoted, but by a report of a committee of the National Associatin of Manufacturers who toured South America in 1896, by a commercial agent in Brazil in 1905, and as to the port of Cartagena by a consular report as recent as December 1914. So, too, we have abundant testimony from the same and other documents that freight rates from our ports are not higher than those from European ports, and are frequently lower. The discriminations against our trade by foreign shipping, which comes to our ports seeking cargoes, is a fiction of the subsidy hunters, used by men who have opposed government aid to shipping all their lives, and have now made a right-about-face merely because the

President has ordered it. It is absurd upon its face, and the consular reports and shipping news contain evidence that rate wars between English steamship lines have for considerable periods given us lower rates to South Africa and Australia than English shippers enjoyed.

Shouters for the "old flag, and an appropriation" repeated for a long time the guess of somebody, somewhere, that we paid foreign vessel owners $200,000,000 a year. If they do the work for us cheaper than we can do it ourselves, there is no great significance in the sum paid. But the figures were wild guesswork. As they had been in use for some time, and the country is growing, it has lately been more fashionable to say $300,000,000. A United States Senator who aspires to be nominated as the business man's candidate for President has used this larger figure as the amount paid on imports and exports. Why a business man's statesman should suppose that we pay the freight both ways, and the foreigner pays it neither way, may be left for the contemplation of those who have time for that sort of thing. Recently the subsidists and those affiliated with them have thrown another $100,000,000 to foreign vessel owners and are mentioning $400,000,000 as our annual freight bill.

Twenty years ago The New York Journal of Commerce made an investigation of the subject and found that the average freight charge was 3.6 per cent of the value of the merchandise. Last December the National Foreign Trade Council issued a comprehensive report on Ocean Shipping, prepared by a committee of three persons, two of whom were shipping men of great experience. This report quoted the estimate of Sir George Paish, for 1908-9, that the freight charge on our imports was between 2½ and 3 per cent of the value of the merchandise. The committee put the present rate, war conditions omitted, much lower. "The true proportion of freight charges to trade value, in the opinion of freight experts, does not, in time of peace, exceed one-third of 1 per cent on expensive and valuable goods, such as are imported into this country from Europe by the passenger liners, and it does not exceed 3 per cent on cheap commodities." But at the maximum of 3 per cent, "admittedly high, the total freight bill on imports did not exceed $52,131,259 in the fiscal year 1914, of which about $5,213,125 was the share of American ships, and $46,818,134 the portion of foreign vessels. . . . Part of the money paid out to foreign ship owners in freight rates never

leaves this country because much of the investment of foreign shipping lines is placed on this side in terminals, etc." Wages, coal, provisions and repairs are paid for here.

Attached to last year's Congressional report on the government-shipping bill is a memorandum representing the shipping trade as exceptionally profitable, and dividends of 20, 30 and even 40 per cent are indicated as normal. If this were true, American capital's aversion to water would be incomprehensible. There is overwhelming refutation of it easily to be obtained. Fairplay, a leading English marine journal, tabulated the steamship reports made in 1914, showing that twenty-five companies operating passenger and cargo steamers of 5,106,495 tons paid average dividends of 8.26 per cent. Eighty-seven companies operating cargo steamers alone, with 2,067,403 tons' capacity, paid an average of 10.38 per cent. But 1914 was a phenomenal year. Fairplay gives the financial results of the latter companies for eleven years, 1904 to 1914. They had eight poor years, in only two of which did the dividends exceed 4 per cent. Then came three remarkably good years, 1912, 1913, and 1914. In those three years the profits were more than 60 per cent greater than in the previous eight. Dividends were 6.82, 12.56 and 10.38 per cent, and large sums were set off for depreciation, which had not been possible in the earlier eight years. But with these three fat years included, the average dividends for the eleven years were 5.37 per cent, and Fairplay remarks that "Owing to the losses which shareholders have experienced with shipping, few shipping companies' shares are quoted above par."

The United States and Great Britain have developed the means of transportation most essential to their respective commercial and political interests. Great Britain, with a small home domain, and dependencies scattered all over the world, can hold its empire together only by abundant shipping facilities, and has taken the first place as a maritime power. The United States, with a vast continental and contiguous area, could preserve itself from disintegration only by binding all its parts together with railroads, and it has surpassed all other nations in its development of land transportation.

We are getting our sea transportation done for us cheaper than we could do it ourselves, by people who go to sea because there is no room for them on land. Our commerce has grown rapidly in every direction, and the American who blushes for

shame because the American flag is so seldom seen in foreign ports is as foolish as an Englishman who should feel humiliated at the petty railway mileage of his own country.

THE OPPOSITION AND THE SHIPPING BILL[1]

Ten boats leave every month on the average from New York for Rio Janiero on the east coast of South America. What are the facts? Before and since the war they have been running with a surplus of cargo space, sometimes being only half filled. A few weeks ago a passenger boat fit to engage in the trans-Atlantic trade, came in from Rio with six first-class passengers and seventeen third-class passengers, and that was the whole passenger list. On the west coast of South America, notwithstanding the stimulus afforded by the opening of the Panama Canal, the Peruvian and the Chilean Navigation companies, which jointly ran boats weekly, have withdrawn the weekly service and made it fortnightly. I trust that the old condition is soon to be restored.

Here I want to call attention to one phase of this whole freight situation. While there may be sporadic instances of high rates to those portions of the world that are at peace, there has not been a rise in the charges so great as that which has frequently happened in the times of profound peace. Generally speaking, the rates to South America, to South Africa, to India and to Hong Kong have been raised about 25 per cent. In sporadic instances rates in the war zone have been raised eight or nine times. Thus the disparity in the increases is the substance of the whole matter, and shows conclusively that the increases are in direct proportion to the dangers of war.

Will the conditions of European trade be relieved by increased shipping? Do not let us deal with generalities. Let us get down to the facts. What is it that has caused this decrease in the supply of shipping and an increase in freight rates? In the first place German and Austrian shipping is withdrawn from the seas. Those boats probably carried about 14 per cent of the

[1] Address of Hon. Theodore E. Burton, Senator from Ohio, before the Chamber of Commerce of the United States, at Washington, D. C., February 4, 1915.

foreign trade. But let us consider that for a moment. If German and Austrian shipping is withdrawn from the seas so also are Germany and Austria shut off from the trade of the world. The Baltic Sea is practically closed to trade; so also is the Black Sea. And, roughly approximating an estimate, we may say that the trade of the world has decreased because of the war in just about a like proportion with the loss of shipping. The situation would naturally call for an increase of our exports—more food and more supplies. More food and more supplies are destroyed when war is in progress. This tendency is emphasized by the desire of the nations, as Italy and Sweden and Norway, near to the theatre of war, but not engaged in the conflict, to prepare themselves for all exigencies. That has increased the measure of their purchases. All factors considered, the withdrawal of this German shipping, is no doubt a factor in the increase of freight rates.

War Risk Insurance

Another factor of great importance is the liability of boats to search and seizure. Still more important is the cost of war risk insurance. Even if it be only 2 or 3 per cent for a voyage, just think what that means. Suppose there are half a dozen voyages in the year. Twelve or 18 per cent must be paid for war risk insurance. That would be far away beyond the ordinary income on investments of capital. Another reason is the dangerous channels through which shipping may go. If there is any one thing that the mariner fears more than others it is a hidden obstruction. He fears that his boat may run upon the rocks. But infinitely more dangerous is the mine which, when it explodes, not only stops the vessel and blows up the hull, but perhaps carries captain and crew and all into Kingdom Come. Then there is another reason. The requisition, especially by Great Britain, of a good share of its shipping to be used for military purposes.

But when I name all these I have not named that which is at present the most decisive in the situation; that is, the delay in foreign ports.

Foreign Ports Congested

As a man said a few days ago—and I am not sure but that he was pretty nearly right—more ships would add to the congestion, for they would be in each other's way in foreign ports.

Let me give you a few illustrations. Not very long ago an American boat was chartered to carry horses to a port in France. It had additional cargo capacity of 8,000 tons, dead weight, but the owners learned that in the port to which they were going there had been a delay of sixty days in loading and unloading. What did they do? They went from this country to France without filling a foot of the space, rather than to take the risk of delay and detention. Delay and detention are not limited to the ports of countries at war. It is just as bad at Genoa as anywhere, where a few days ago thirty ships were waiting in vain to be unloaded. It is a marked factor at Liverpool and at London; perhaps not so large in the German ports, if you can reach them, but generally in all European ports, and the cause of it is perfectly obvious. Government ships and other ships gather in the harbor. The government claims for its military purpose the first use of the quays and docks. The men who would be engaged in loading and unloading have gone to the war. The men who would be making necessary repairs have gone to the war, and thus it is necessary to wait twenty or thirty or forty or sixty days before a boat can be unloaded.

On this subject I want to read very briefly from a report by Norman Hill made on the 12th of January last. I think there is no one who is a higher authority in England in regard to shipping. He says:

> There is nothing in any of the above figures to account for the congestion of the ports in which fewer vessels have been available, and there has probably been as great a fall in the volume of the trade carried. The tonnage remaining available has been sufficient to carry the cargoes offering, for cargoes have not had to be shut out; although in the trade of the United Kingdom the amount carried in each of our ships has not substantially increased the time employed in the discharge has increased most seriously. In London and Liverpool vessels have to wait for days for discharging berths, and when they can obtain berths the discharge is hampered and delayed by the block on the quays and on the railways. It is clear, therefore, that the causes of the congestion must be other than the one of ships or the one of quay space. The main cause is beyond question the shortage of labor.

And that applies in an even greater degree in the countries more affected by the war than Great Britain where in a degree industrial and commercial activities have gone on as heretofore.

Where are you going to get your ships? My good friend Mr. Baker, who has been quoted by the distinguished Secretary of the Treasury, says that there are not more than ten ships avail-

able under neutral flags that would be suitable for the purpose, and he advises the building of ships. Well, it is a "present emergency" that is on us. We all fervently hope that this war will close in a less time than ships could be built. Strangely, most of our shipyards are busy already, and it would be ten to sixteen months before a boat of any considerable size, suitable for the trans-Atlantic trade, could be built in one of our shipyards. In the meantime you have those ten ships. What are you going to do with them? How much will they help you? What better would the government do with those ten ships than the private owners are doing? Is the government, which we must concede is sometimes very unwieldly, going to manage the shipping business better than the private owners?

Government Ownership

There are three phases of government ownership presented in this proposal. I am not one of those for whom government ownership has the terror that it has for many. Under proper restrictions it does not frighten me. But what is the proper field for government ownership? It is in some branch of public service monopolistic in its nature, like waterworks in the city, electric light or gas plants—possibly telephone service and street railways, or those activities that are in close association with the moral and social conditions of a posing partial government ownership, though there is nothing more disastrous than to have part government and part private ownership. This is not a fair test of government ownership and operation. The ships that could be purchased with forty millions would be a mere bagatelle in the shipping of the world. You would be at best, even if it were half, in about the same condition that you are in when there are two telephone lines in the city. Oh, I have been through that! I have heard the statement made, "You have one telephone line here. If you put in another you will have the benefit of competition." What was the result? Each telephone line has to wire every building, put separate conduits in every street, and each office must have two 'phones. There is inconvenience all along the line, and finally, either there will be insufficient service, or the public will have to pay interest on both equipments.

I remember some thirty years ago that there was a new railroad projected paralleling the Lake Shore Railroad between

Buffalo and Cleveland. You could flip a copper between the different tracks, much of the way. The right-of-way man went out and said, "Now, farmer, we are going to have a competing line here. You can go to town more cheaply; you can ship your produce more cheaply; you will have all the blessings of competition and a new avenue to happiness will be opened to you." In about three years they were both under the same management. It proved impossible to run the two side by side under the laws of competition.

What are you going to do if you have only one fourteenth or one twentieth of the shipping of the world? In the first place, the question has been asked, have you any special route on which you will put these boats? And the answer is made, "No; we will cross that bridge when we come to it." I think that question ought to be answered. I do not think Congress should be asked to appropriate forty or fifty millions of dollars without knowing something about what is to be done with the money.

Ports of Call

Will special ports be selected? Then what happens? If you choose Galveston, will not Mobile and New Orleans have occasion to complain? Will you choose a special product, such as wheat or cotton, then will not every other class of producers have a right to complain that you are giving a special advantage to this line of business to the disadvantage of every other. Suppose the government carries at lower freight rates than private owners. What would be the result? Why, perhaps one twentieth of the traffic of this country—a fraction certainly not greater than one-tenth, would be carried at a lower rate. What is the result? Does the great body of the American people get the benefit of it? No. It is the few who are benefited by those rates. It is exactly like the days of railroad wars, when the railroads, in times of sharp competition, put down their rates to a low figure. Those who were on the ground floor and took advantage of it were able to get their stuff carried at low figures, and they put the benefits in their pockets. The consumer got no benefit from it. You cannot go into this business partially and make a success of it. If you are going into government ownership it is necessary that you shall control the whole business. There is no middle ground.

I recognize a disposition on the part of many of the American people to disparage expert knowledge. It is thought that inex-

perienced men may gather around a table and smoke cigars and make plans and advise organizations for trade or industry just as well as those who have given their lives to it. A distinguished public man went out to Trenton not long ago, to address a high school, and he said that the youth who has written a bright epigram gains more eclat than the student who has studied for two years. I want to say a few words for the student that studies for two years and who masters the subject. It appears sometimes to be imagined that great inventions and discoveries are the result of a chance inspiration; that a man, peering out into the outer void, puts his hand out and brings in a telephone or an electric light. But, ladies and gentlemen, that is not the case. The rewards in business and in science come to those who labor and who acquire qualifications.

Shipping Trade Necessities

Thus the shipping trade has been developing for centuries. It has adopted new routes of trade; it has adopted new methods, it has preceded rather than followed demands. There are certain necessities in regard to it. There must be terminals for the loading and discharge of freight. It is not sufficient to have ships. There must be wharves and quays. Is the government going to secure those also? There must be affiliations with shippers. Is the government going to secure such in a month or in two months? There must be a familiarity with the routes of commerce; a most careful calculation must be made so that the ship will have not only an outgoing but a return cargo; that she shall have something to do the year around.

And then again oftentimes the owner of the ship is a merchant. He has a cargo one way supplied by some shipper. He buys something to bring back. That is in a considerable degree true of the trade on the west coast of South America, where nitrates constitute the return cargo. Is the government going into that business and going to buy merchandise to carry at this time?

I must say that in whatever phase we consider this bill we meet with difficulties. Not only is partial government ownership defective in any field, but this is a line of business which it would be particularly dangerous for a newcomer to enter under the most favorable circumstances.

The Revenue Cutter Service, referred to by the distinguished Secretary, I commend very much, but it discharges a purely governmental function in the first place and to that has been added

the most commendable object of saving life. But that was not a creation overnight. That was not adopted under a bill never declared for in a party platform. It is the growth of a hundred years. I read a report by one of the Cabinet officers a few days ago about the frightfully dilapidated condition of the boats in one branch of the government service, and I thought, "Is it possible that alongside such a condition as this under government management we are going to be asked that the government go into the shipping business on a large scale?" If the government cannot manage boats that are used for its own agencies, how is it going to manage them when they are used for the general purposes of trade?

Purchase of Belligerent Ships

There is one question I must consider before I close; Are you going to buy ships of any of the belligerent nations? It would take too long for me to go into this question in detail, but I wish to state the situation briefly: Formerly England maintained the idea that a neutral could buy the ship of a belligerent in time of war if it was done in good faith. The doctrine on the Continent of Europe was always the contrary; that a purchase by a neutral of a belligerent ship in time of war was void, and that if she sailed with the neutral flag she could be seized, taken into the prize court and condemned. In the declaration of London, formulated by a convention in London in 1909, all the commercial nations, practically, agreed with the Continental doctrine; that is, a transfer before the beginning of war was valid if made in good faith, but if made after war had commenced, it was void unless it was shown that it was not done to evade the consequences of war. Suppose there is a merchant ship of Germany or England in the harbor of Charleston or Galveston. What are the "consequences" to which such a boat is exposed? Why, if it sailed out under the German or English flag it would be seized by the other of the belligerents. If transferred to the American flag, it would be to evade the consequences of war, and the boat would still be subject to seizure.

This war is not going to last always. We must take into account the feeling of these foreign nations toward us when the war has finished. I am afraid we have been a little too commercial in many of our ideals.

Germany has issued a statement confirming the declaration of

London. It is true she has intimated that she might waive her objections to the sale of certain boats detained in our harbors if the boats sail exclusively to German ports, and saying that such boats must have a passport issued by the German Consul and that it must be taken to the State Department for approval, and then, it is good for only one trip. England and France have also proclaimed the declaration of London, with some modification as their policy during the war.

Our National Rights

With these belligerents all united in the idea that ships cannot be transferred under these circumstances, I want to say that we cannot afford to take the chance. I am not one of those who say with bluff old Commodore Hull "My country: May she be always in the right, but, right or wrong, my country." I cannot agree with the last clause. No nation has insisted upon the rights of belligerents more earnestly than we did in the Civil War. We took it upon ourselves to determine the ultimate destination of cargoes. That is, if a boat sailed for Nassau and her cargo was suspiciously large we reserved the right to investigate the question as to whether the goods were not intended to run the blockade. If a boat went to Matamoras, even though Mexico was at war and the owners said, "This may be intended for Mexico," our prize court said "No; the chances are that it is intended for our enemies, and we will confiscate your boat and its cargo."

We cannot afford to take the chance of trouble in buying belligerent ships. Thus we are driven back on the ten ships that are available.

Object of Bill

This bill, should it facilitate export, would certainly raise prices. I have heard in a political campaign that it was a requisite of usefulness that men should go their round with different speeches in their pockets. One for use when they went among the farmers, telling them, "You are going to have higher prices and everything is going to go better if you put us into office;" and then they would go into cities and say, "You are paying too much for bread and the prices are going to be lower."

Now, what is the object of this bill? Is it to raise prices? Why, wheat is quoted at a figure higher than it has been, save in

some sudden rushes in the market, since the year 1866. Persons are coming here to Washington asking that an embargo be placed on the export of wheat and wheat products. There was a headline in one of the papers night before last that said the cost to the Capital City alone would be $600,000, because of the added price of wheat. It has got to be either a smaller loaf or a higher price. The government ought at least to be neutral under those circumstances. Is it going to use its strong hand? Is it going to tax the people, consumer and producer alike, to facilitate the export of wheat and hence raise the price of our primary food product?

Now, let us look into that cotton situation for a minute. We have an unprecedented crop this year, 16,000,000 bales. Very early in this war the Liverpool cotton exchange passed a resolution that they would not buy any cotton at present; the sources of demand were shut off; the cotton textile industry is demoralized by the war. There is consequently a very much diminished demand. Is it not perfectly inevitable that the price should be lowered under those circumstances, namely the large crop and the diminished demand abroad? In this terrible war the consumer pays the freight as he never did before. If wheat were available from Odessa, if it were available from Siberia, if it were available from India, there would be competition, but, as it is now, the main source of supply is the New World. You can fix the price in Chicago or in Buenos Aires and add on the freight and the consumer abroad has got to pay that freight. In Bremen the cost of cotton is 19 cents. Why is it so? Because of the high rate of freight between Galveston or Savannah or New Orleans, and the danger of capture, the danger of detention, and the danger of being blown into eternity by mines when you are on the way.

Consideration for the Consumer

Why, it was rather understood when this new regime commenced that we were to have lower prices. That was one of the promises that was made.

Now, is it to be the sole aim of governmental activity to raise prices? Is not the consumer entitled to the considerate attention of the administration? Will you tax the consumer and the producer alike to help the producer alone? Is that the new governmental idea that you are going to bring into effect?

Now, there is one point in this connection that I would like to mention while speaking in regard to cotton. The total production, as I said, is about 16,000,000 bales. A little more than a third of that is retained at home. The other two-thirds or less goes abroad. That would mean the export of about 10,400,000 bales in the year, 200,000 bales in a month. Let us look at the recent shipments of cotton. I say this to hold out a word of hope to those who are interested in that line of production. Since January 2 there has not been a single week when the average export has not been above 200,000 bales. It is true that there would naturally be large shipments at this season of the year, but when you take into account the war, we are doing well, and conditions approximate the normal when you send an average of 200,000 bales per week. For the week ending January 2, there was sent abroad 191,000 bales; January 9,315,000 bales; January 16, 218,000 bales; January 23, 255,000 bales, and January 30, 398,166 bales. Keep up that rate for 26 weeks of the year and the whole we have for export will be carried abroad to a variety of ports.

There is another thing that some of you may have noticed in a newspaper paragraph this morning, which is exceedingly significant. In the port of Galveston the quoted rate on cotton has fallen from $3.50 per hundred to $2.50 to Bremen, to Rotterdam from $2.50 to $2 and $2.10; to Barcelona from $1.35 to 85 cents. It would seem from this that while we have been talking on the shipping bill prices have been going down, and that raises the very important question as to whether it is not best to deliberate and to talk once in a while.

Dangerous Possibilities

I have been interested in many measures in the Senate and House of Representatives, but, my fellow citizens, I know of none that seems to me is fraught with more dangerous possibilities. You must always take into account in every piece of legislation not only what it is in itself but the precedent that it establishes. What will be done next. Why, it seems to me that in every word that Secretary McAdoo uttered against the lending of $250,000,000 to the cotton growers he was condemning the spending of money out of the Treasury which would inure to the benefit of some particular locality in this country. He referred to $28,000,000 loaned to the States. Does anybody deny that that

is a fair debt. But the Treasurer of the United States was directed by Congress never to collect a nickle of it until further ordered, and you and I will have passed into another sphere before that further order is issued. So it is in regard to this shipping bill. If the shipping corporation is once organized and someone can get lower rates than the normal, can get advantages over his competitor, the agitation to continue it will remain long after its usefulness has been disproved and the boats ought to be sold.

There are some things that it does not do to trifle with, my friends. If above anything in my life I have wanted to take a stand it is for the people and all the people of the United States against any section and any party. I deplore the fact that an organized minority or interest, small in number, is often more influential here at Washington than the great body of the people who, hampered by inertia and lack of interest, do not give sufficient attention to the general good. A public man oftentimes promotes his political chances more by a single bill that helps a single person than by any statute for the general good that he may be instrumental in acting.

I repeat—while we have been deliberating the reason for this bill has gone by or is going by. The arguments on behalf of it made at the beginning were abandoned. Now that relations with South America do not require increased shipping, some other reason is proposed.

DEVELOPMENT OF A NATIONAL SHIPPING POLICY[1]

How many of our people realize that in the most essential points upon which the law is expected to enlighten the shipowner, the American statutes relative to shipping are either mute or so ambiguous that there is probably not one ship operator in this country that could offhand tell you in the most general way what is and what is not permissible in the operation of ships, as far as the customs regulations, manning, victualling and equipment are concerned. Our laws are very strict on lifesaving equipment. They provide for a more stringent test of boilers than is the case elsewhere, but although the equipment of lifeboats is minutely

[1] By Robert Dollar, President of The Robert Dollar Co., San Francisco.

defined, there is no law that requires the navigating compasses to be properly adjusted and compensated, while the engine which receives its steam from the boiler that is so carefully tested by the Federal Inspectors does not come in for any mention at all in the book of rules that are enforced upon American ships in the name of safety, but which go so far wide of the mark that the insurance underwriters give no consideration to the steamboat inspection certificates in estimating the worth of a ship for insurance purposes, while Lloyds or other foreign classification certificates are readily accepted. Thus it is possible to build under our laws steamships that defy so much all accepted ideas as to safety in ships, that they would be uninsurable. Hence, no ship is ever built in this country that is not far and away in excess of the requirements of the Steamboat Inspection Service, because ships need insurance and underwriters are quite a bit more exacting than the United States government in their ideas as to what constitutes a safe ship, although they are not so finnicky as to the thousand and one trifles that the Steamboat Inspection Service is so keen upon, perhaps for the reason that the rules being so vague about the essentials of proper construction and equipment, it is well that so much attention were paid to the apparatus that comes into play only when it is no longer safe to remain on board a vessel.

American licensed officers, who are better paid than those sailing under any other flag, are submitted before obtaining their certificates to a very strict examination on lifeboat drills, fire drill, etc., but the official requirements in other directions, are very lax. Therefore but few of our officers know anything of such methods of signalling as Morse-ing or semaphoring, so that when a ship is spoken at sea by those modern methods and she does not reply, it is customary among foreign navigators to remark that "she must be a Yankee." Yet the law now obliges American ships to carry third mates, when in other countries many vessels which would require those officers if operated under the American flag, carry often but an "only mate," the second mate being virtually a boatswain.

Time does not permit complete enumeration of the shortcomings of our laws as regards the most essential points which navigation laws ought to cover, contrasting those deficiencies with the onerous requirements of our statutes. It required the European war to change the regulations as to measurements of ships

so as to bring our methods in conformity with the universal usage. And the reason why the regulations were changed was not that they worked an injustice on American ships, but that foreign-built ships put under the American flag under the emergency act would have had their net register tonnage increased—that on which shipping dues were paid—if they had been granted new tonnage certificates on the American basis.

I have mentioned the foregoing merely to give you practical examples of the vicissitudes which confront the American shipowner who has to contend in the prosecution of his daily business with the Treasury Department, the Bureau of Navigation, the Steamboat Inspection Service, the Public Health and Marine Hospital Service, the Immigration Service and at times the Department of Justice, to say nothing of a multitude of restrictions imposed by local authorities, as represented by boards of pilots, city and state wharf authorities, etc., so that the life of the operator of American ships bears a strong relationship to that of the little boy whose mother said to the nurse: "See what Thomas is doing in the nursery and tell him he musn't."

Little wonder that under such conditions the threat of government ownership is sufficient to frighten away all newcomers who see nothing ahead but increased official interference, without obtaining from the government of this country that measure of consideration to which the shipowners of other countries have become accustomed and which has taken such concrete expression as the constant reliance of the public services upon the assistance which the national shipping could render in the ordinary prosecution of its commercial mission.

Privately Owned Shipping Can Meet Military Needs

Thus, England, Germany and Japan dispense with troopships and naval colliers, obtaining such vessels as are needed for the transport of troops to the Colonies overseas and for the transport of coal to the fleet during manoeuvres, from the commercial fleet under the national flag that could always be drawn upon for such purposes. Here, on the contrary, as soon as our nation became possessed of outlying dependencies, the transportation of troops to those parts was confided to a fleet of government vessels purchased for that one purpose, while the Navy Department that always voiced the complaint that it was hampered by lack of funds, undertook the construction of a large fleet of

colliers built internally like the well-known commercial steam colliers operating on the Atlantic Coast, except that the naval vessels are fitted with mechanical discharging gear for the purpose of delivering coal into the bunkers of warships. Recently the government of the Canal Zone took delivery of two large steam colliers designed to carry coal to the bunkering stations on the Panama Canal. These vessels which are operated on such an extravagant scale that undoubtedly their operation is costing much more than the same service could be obtained for by means of chartered commercial vessels. Unfortunately it has been the consistent policy of our government to proceed always on the assumption that American ships were non-existent or could not be created.

Pending Proposals for Relief

Various remedies have been proposed for the solution of our merchant marine question. The proposals now figuring most prominently before the public may be summed up under three heads: First, government ownership; second, equalization of operating costs, under whatever name may be given to the direct assistance of the state to shipping; third, the development of a truly national shipping policy along lines recommended by a permanent non-partisan shipping board after business-like consideration of the country's real shipping necessities.

Let us examine the first proposition: government ownership is nothing new. It has been in operation in other countries before this, with the same invariable outcome of failure. We are, nevertheless, free to consider without prejudice and without bias, whether the proposal as made to the American people in its newest form, contains any element that ought to recommend its adoption as a national policy, whatever form the policy may take. The intention is, substantially, to acquire a large fleet of merchant ships to be operated in the interest of our foreign trade in such directions as the prospect of immediate profits precludes the free operation of ships run for purely commercial purposes.

Government Ownership

We see here a proposition to pay a subsidy of far greater scope than any subsidy policy that has as yet been proposed; for any subsidy contract is necessarily limited as to the amount

of money which may be disbursed to the shipowners undertaking the subsidized services, whereas, with the government itself operating the ships on that extravagant scale with which all business men are familiar, there is no limit to the deficit that may be accumulated by the ships performing the services yet to be announced. Therefore, if on the ground of economy only, it would seem to be part of wisdom at least to endeavor to find private shipowners willing to undertake specified voyages for stipulated sums of money, proper guarantees as to the ability of the contractor to continue the service after its initiation being given by the recipients of the subsidies.

This comment relates to the principle of government ownership, which it is impossible to escape whatever form the new government shipping bill may take. At the time this paper was written, the new bill had not been introduced, and it would have been unwise to attempt to discuss unofficial reports that, instead of being confined to government operation, the vessels, constructed by the government, may be leased to private companies for operation in certain trades not yet designated. That all vessels entering American ports will be subject to regulation of freight rates and service, and that the entire lot will be administered, after the government ownership principle has been embodied in it, by the shipping board. This much, however, is fair to say: The government proposes to embark in a business which normally it costs 25 per cent to 35 per cent more to conduct under the American than under foreign flags. Unless the government can perform the service more cheaply than private enterprises, it must incur deficits to be met out of the public treasury. The vessels cannot be leased to private companies unless private companies can operate them profitably.

In other words, the only way the government can induce private companies to operate those ships under the American flag, under the conditions prevailing before the war, and surely will prevail after the war, is to make the leasing price low enough to offset the excess of operating cost over that of our competitors. Somebody must pay, and under the government ownership principle it will be the taxpayer. If, then, the principle of government aid is exercised only through the leasing of government-owned vessels to private companies, the American flag in foreign trade will become a government monopoly.

The increase of our shipping in foreign trade will depend upon the willingness of the taxpayers to increase the appropriations to be made for the new construction, and, possibly, continued deficits in the governmental shipping policy account.

In other words, the shipping policy, requiring continuing and increasing appropriations, will be under debate at each session of Congress. It is easy to see how sectional and political considerations may complicate any shipping progress dependent upon the government ownership policy.

Can Government Ownership Meet All Shipping Needs

Another and most important consideration remains to be weighed most carefully before we can dismiss this matter of government ownership. We desire ships as another factor in the creation of national wealth for the purpose of retaining for ourselves part of the profits on our carrying trade that we have in the past been disbursing abroad. In what respect, therefore, would government ships run for the obvious purpose of working on unprofitable service constitute an accession to our wealth? As enunciated, the proposal can only result in increasing the burden of federal taxation at a time when the nation is accumulating a deficit.

However, we are told that the foremost consideration in the government ownership and operation of steamship services is for the national defense, as the ships thus created would be available in time of war as naval auxiliaries. This latter point has a strange sound in such times as these, when we see laid up in our own harbors the naval auxiliaries of a great European power, whose inability to maintain her sea power during the conflict now raging, has set at naught all the preparations made in times of peace for the mobilization of its auxiliaries.

On the other hand, what an object lesson is offered to us by the immense requisitions of shipping made by Great Britain since the war began, for the purpose, not only of transporting men and ammunition to the seat of war, but also for the purpose of keeping up her importations of food for her people! It was not the mail contracts under which certain ships were to be built to Admiralty specifications that gave Great Britain the million tons, or more, of shipping that she has kept constantly under requisition since the war began, maintaining that auxiliary

fleet at the highest point of efficiency by the constant interchange of vessels drawn from the immense mercantile fleets that, in the days of peace, carried her coal and manufactures to all parts of the world, and came back laden with raw materials and foodstuffs. It will always be possible to adapt war necessities to the opportunities afforded by the existence of mercantile fleets existing solely as instruments of trade for the procurement of wealth, but to create fleets of commerce-carriers built primarily as naval auxiliaries according to the ideas of naval and military experts whose notions of what constitutes the proper type of ship suited to war requirements, are about as fixed as those of designers of ladies' hats, is the very worst delusion that can be entertained, and one which may bring disaster upon us in the day of need through the false hope which it fosters.

GOVERNMENT OWNERSHIP POLICY DETERS PRIVATE ENTERPRISE[1]

One of the chief arguments on behalf of the government ownership policy has been that it would provide transportation for the export of commodities, the shipment of which was then crippled by lack of bottoms, and that producers would escape the burden of high freight rates, characteristic of transportation in all parts of the world since the outbreak of the war. Little heed is given to the fact that by the immobilization of the mercantile marine of the Teutonic allies and the impressment of large amounts of British and other tonnage for military purposes, as well as the destruction of belligerent ships, and the delays incident to lack of labor in the ports of belligerent countries, has very greatly reduced the world's available tonnage. Nor has it been made clear where the new tonnage necessary to provide additional facilities would be found.

The government policy was not adopted, but the fact remains that, by means of existing transportation facilities, the value of our exports during the first year of the war far exceeded that

[1] Report of the National Foreign Trade Council on the Merchant Marine, submitted at the Second Annual Meeting of the Council, September 23, 1915. p. 7-14.

of the preceding year and that, for the most part, vastly higher prices were received by our producers.

Any policy that, regardless of the normal operation of the law of supply and demand, places at the disposal of any single class of producers a fleet of government steamers is bound to produce privileged classes, for the government, presumably, will not provide sufficient tonnage to carry all our exports and imports, but will operate with such ships as it may supply at lower than the market rates wherever that course may be deemed necessary for the supposed advantage of the United States export trade. How, under this policy, will it be determined in whose interest this necessity is most pressing? Will it be for the North, South, East or West? Will it favor manufactures or raw material? If the operation of government steamers involves a deficit to be met from the national treasury, the policy will amount to the bestowal of a bounty upon the favored commodities and communities. It may likewise be asked what class of American importers will be favored in the carriage of return cargoes. Will these public vessels seek always the higher priced goods at the expense of the importers of low priced products, who are also subject to taxation to meet any losses sustained by unprofitable governmental policies?

Government ownership of oversea transports used for commercial purposes would be a natural concomitant of government-made goods brought to shipside by government railways, sold by government employees and laden by civil service stevedores. As a commercial proposition, government-owned ships in foreign trade can only result in disorganization of existing trade routes in which government ships might engage, while bringing about complete paralysis of individual effort to obtain for private American ships a larger share of American sea-borne commerce. Thus, in the event of government ownership and operation of merchant vessels becoming a settled policy, the problem of the future of American shipping will solve itself by the extinction of private endeavor.

It is not strange that American capital has displayed little inclination to embark upon shipping ventures, which the government promised immediately to oppose with uneconomic competition. This alone was a sufficient deterrent, but in the midst of

the agitation, another unfavorable policy was introduced by the enactment of the Seamen's Law, which in its present shape places virtually upon American ships alone in foreign trade burdens in excess of those found in the maritime legislation of any nation with which American ships are expected to compete.

Seamen's Act an Added Handicap

Among other things, the new law purports to grant the seamen of American ships better quarters and better working conditions. In this respect, the Act is in consonance with recent industrial legislation, and does not appear to exceed in its requirements similar provisions under the laws of Great Britain, Germany, Norway and France; as a matter of fact most American ships have for years furnished as good accommodations as those prescribed by the law, or better. However, under the guise of insuring greater safety for passengers, this law provides for the carrying of a greater number of deck hands, rated as "able seamen," than is required by the laws of any other country, and furthermore, contains a stipulation in Sec. 13 that 75 per cent of the crew in all departments must be able to understand any order given by the officers. This will prevent the employment of Asiatic crews on American vessels, but will not affect Japanese vessels on which Japanese officers and crews speak the same language and the crews receive wages far less than those of American and European sailors. The promised effect of the law's operation will be to turn over our share of trans-Pacific shipping to the Japanese. The American flag is disappearing from the Pacific and American interests in the Far East stand dismayed at this blow to our national prestige and commerce.

The International Convention for Safety at Sea, that was participated in by this nation, established new and higher standards concerning the life-saving equipment of ships and the manning of such equipment. By means of the Seamen's Act, the drafting of these standards into a statutory enactment has virtually linked in the public mind the labor union demands and the question of safety at sea, so that a good deal of uninformed sentiment has been enlisted on behalf of this measure.

Ship owners offer no objections to the requirements laid down by the International Conference on Safety at Sea but do not wish to be put under the disadvantage of complying with

several of these rigid requirements which they regard as impracticable to introduce on existing vessels, until the convention is actually put into force by the nations with whom they are compelled to compete.

The Attorney-General has decided that the requirements of Section 14 of the Act as to life-saving equipment and the manning of such equipment do not apply to foreign ships owned in countries with which the United States has "reciprocity" arrangements as regards passenger-carrying certificates.

The application of Section 14 to American ships only will place such a heavy handicap on American passenger-carrying ships as to exclude them from competition in practically all trades.

No legal opinion has been rendered on Section 13 which makes the "able seaman" and "language" clause applicable to all vessels leaving United States ports, but it is understood in shipping circles that Section 13 will be construed to mean that the crew of any ship should understand ordinary words of command. The enforcement of this section with respect to foreign ships is bound to result in diplomatic friction, and the feeling is that foreign vessels will have little difficulty in evading its requirements as far as the language of officers is concerned, since officers and men usually speak the same tongue. The hardships arising from the language test will then fall chiefly on American ships, whose officers, as a rule, speak their own language only and which would then be required to employ higher priced crews who also understand orders given in our language. The full brunt of Section 13 will thus fall on American vessels alone, making it impossible for them to compete in the Pacific trades, and difficult because of the unequal expense of wages, to compete in any foreign trade.

In order to enforce the letter of the law the Department would have to provide itself at each port with a staff of interpreters who know the dialects of the maritime ports of Asia, Africa, America and Europe.

The increase of the merchant fleet through the operation of the Ship Register Act was arrested by the approval of the Seamen's Act on March 4, 1915. Up to February 27 there had been transferred to the American flag 133 foreign-built vessels of 475,524 gross tons. Since that time, the transfers have been

only 28 vessels of 88,754 gross tons. The abnormal conditions of war have for the time being offset the greater cost of operation of American vessels, but shipping interests are indisposed to purchase foreign-built ships and transfer them to American register, subject to the restrictions of the Seamen's Act which, if continued in its present form, will place them at a disadvantage following the war when normal conditions of foreign competition are restored with peace. Moreover, it is a grave question whether the Seamen's Act will not force vessels already transferred, to seek, after the war, the freer operation, and accommodation to economic conditions, possible under the foreign flags from which they have been transferred to our own.

Altogether, the Seamen's Act is the culmination of a series of measures which have adversely affected the prospects of American shipping in the foreign trade. It is the logical outcome of years of haphazard efforts to deal with a problem, the solution of which necessitates a settled policy and a well defined purpose.

Pending the development of such a policy, a definite recommendation for the attainment of which is herewith submitted, your committee believes that the operation of objectionable features of the Seamen's Act (which is to take effect as regards American ships November 4; foreign ships March 4) should be suspended, or that if this suspension is not found expedient, its provisions as to the language test and percentage of able seamen among the deck crew, and certain parts of the regulation is to lifesaving appliances, etc., without impairing safety, should be promptly amended.

WILL THE PENDING BILL ENCOURAGE AMERICAN SHIPPING?[1]

The almost universal sentiment of the people of the United States for a greater merchant marine proceeds from a somewhat intangible desire that American commerce shall be carried under

[1] Statement by the National Foreign Trade Council to the Merchant Marine Committee of the House of Representatives on the Administration Shipping Bill H. R. 10,500 in the form introduced January 31, 1916. p. 9-20. May, 1916.

our flag. It is evident from England's experience that no nation can transport all of its commerce in its own vessels. . Assuming that the carriage of 60 per cent of American foreign commerce in American vessels would render this country reasonably independent of the carrying of the merchant marine of any other nation, it is important to determine how great an American tonnage would be necessary. In 1915, 1,871,543 tons of American shipping carried 14.3 per cent of the total foreign commerce. This tonnage, for the most part, was engaged in traffic with nearby markets, the West Indies and Central America, Canada and Europe. With few exceptions only that portion of it which was transferred from foreign flags at the outbreak of the war steamed regularly to more distant parts of the world.

Six to Ten Million Tons Needed to Carry 60 per cent of U. S. Trade

Assuming that American shipping large enough to carry 60 per cent of our own commerce would find itself drawn into general world trade (as is the British Merchant Marine), it is estimated that somewhere between 6,000,000 and 10,000,000 gross tons of steamers of various sizes and types would be required, to be obtained by construction and transfer from other flags, the total being reached during the next decade and consisting of passenger and cargo liners; specially constructed vessels (tankers and colliers), and tramp steamships, discharging the functions enumerated at the beginning of this report. Included therein is the vital question of national defence. Observation of the present British control of the seas and the transportation of allied troops to fighting zones both near and remote from England and France establishes that a merchant shipping adequate to the needs of a diversified commerce automatically provides the types of vessels most needed for the transportation of military and naval supplies and troops in time of war.

The value of this additional tonnage [6,000,000 to 10,000,000 tons] would range somewhere between $50 a ton deadweight, the price prevailing before the war, and $100 per ton, the price of construction at the present time, or a total of from $520,000,000 to $1,040,000,000, which to earn the 6 per cent average dividend rate, after depreciation, characteristic of British shipping over an extended period of prosperous and depressed years, would

have to return to the investors from $31,200,000 to $62,400,000 per annum.

The foregoing estimate of the tonnage required is liberal, but in size it would still be little more than half the total of British steam tonnage which, before the war, was about 45 per cent of that of the entire world. At a time when predictions are freely made that the United States will become the world's banker and acquire the greatest share of the world's foreign trade, a shipping, in the foreign trade, of from 6,000,000 to 10,000,000 gross tons[2] would appear not an excessive goal to be attained ten or twenty years hence. Unless such progress is made the United States will not become one of the foremost maritime nations.

It is obvious that the rise of the United States as a maritime nation must necessarily be accomplished by the transfer of a certain amount of tonnage from foreign to American register. Indications are that after the leading maritime nations have made up the wastage of war the world's tonnage will be adequate for world commerce. For the United States alone, by construction, to add say a million tons a year, for eight years, to the world's shipping, in foreign trade, would cause shipping so far to exceed available commerce as to depress freights to a point where shipping would be unprofitable to all concerned. It would seem more feasible for this country to achieve a greater measure of shipping independence by a combined policy of purchase of foreign built vessels and new construction in American shipyards, for precisely as the profitable operation of American shipping will be a national asset the development of American shipbuilding for this and other countries will strengthen the country's resources.

Will the Pending Bill Encourage the Desired Result?

Advocates of the pending bill (H. R. 10,500) claim that it is a necessary first step to encourage the full development of American shipping. It is fair, therefore, to inquire just what the proposed policy will accomplish, and whether it will lead to,

[2] It should be remembered that while the total tonnage reported by the U. S. Commissioner of Navigation on June 30, 1915, totalled 8,389,429 gross tons, only 1,871,543 tons was registered for foreign trade, the remainder being in the coastwise, lake and river trade.

or permit, the further steps necessary to produce a really great American merchant fleet.

Provisions of the Bill[3]

Briefly stated, the bill as introduced by the Hon. J. W. Alexander, in the House of Representatives January 31, 1916, provides for the creation of a Shipping Board and the raising of $50,000,000 by issuing United States bonds, this sum to be expended in the construction, purchase or leasing of merchant vessels, which may be sold or chartered to private companies, or operated by the government itself, and which may be taken by the government for the use of the army and navy in time of war. The Shipping Board is given all the powers over ocean transportation that the Interstate Commerce Commission exercises over rail transportation. No corporation, firm or individual will be permitted to engage in either domestic or foreign shipping in American ports without a license from the Shipping Board. This means that the owner of every vessel, American or foreign, touching at American ports must obtain a license. No vessel will be permitted clearance unless its owners have such a license. If any vessel fails to comply with all the orders of the Board regarding rates and service, rules and regulations, the Board is authorized and directed to revoke the license held by the owners and this will, presumably, prevent clearance not only of the offending vessel, but of all vessels belonging to that owner. This revocable license system is the power by which the Board proposes to control all vessels, American or foreign, call-

[3] Since this report was formulated the Committee on Merchant Marine and Fisheries of the House of Representatives on May 9 reported 15,455 as a substitute for H. R. 10,500. This limits the proposed regulation of shipping in foreign trade to supervision of conferences and traffic agreements, prohibition of deferred rebates, the use of fighting ships and discrimination between shippers and localities. The provisions of H. R. 10,500 for licensing all vessels clearing from United States ports, preferential railroad rates for merchandise to be exported in American vessels and prohibiting sale of American ships to non-citizens except by authority of the shipping board do not appear in the substitute bill. The authority of the government to operate the vessels obtained under the law is limited to five years from the close of the present war and the character of the trade in which private enterprise may operate the government-owned vessels is not delimited. The substitute provides for a shipping board of seven instead of five members and like H. R. 10,500 authorizes the issuance of $50,000,000 of United States bonds wherewith to purchase, lease or construct ships. Certain administrative features have been added, and the shipping board empowered to regulate *interstate* water rates as rail rates are now regulated by the Interstate Commerce Commission.

ing at American ports, and by which it is proposed to regulate ocean freight rates. Authority is given for preferential rail and ocean rates on merchandise to be exported in American bottoms. The bill provides that no vessel enrolled under United States laws shall be sold to any save a citizen of the United States.

Bill Would Provide About 600,000 Tons

With the $50,000,000 derived from the bond issue, not more than 600,000 gross tons could be provided at existing prices, or less than one-tenth of the minimum amount necessary to establish the United States in the shipping position above described.

Nothing like 600,000 gross tons is available from the few nations, which, during the war, permit alienation of their merchant vessels. American shipyards will not guarantee deliveries of new construction within two years. Rear Admiral Benson has testified that the utmost government navy-yards can guarantee, if assured prompt deliveries of material, is six 10,000 ton ships in two years. The effect of the bill upon the country's aspiration for larger shipping is, therefore, more important than its possibilities of immediate relief of the present restriction of American commerce due to scarcity of vessels and abnormal rates.

No Tramp Steamships Provided

The bill appears to restrict the operation of these government vessels (whether operated by the government or by private corporations) to trade directly between the United States and foreign countries, i.e., in the language of the act, to "use in the transportation of the commerce of the United States with foreign countries," and between the United States and our distant possessions; in other words, to service on certain fixed lines. It fails, therefore, to touch tramp shipping, upon which the greater part of our exports and imports depend.[4]

Either by direct operation or leases of the vessels to private corporations, the bill proposes to embark the United States in an industry normally costing more to conduct under the United States than under foreign flags, and to restrict that operation to what often proves the least remunerative branch of shipping,

[4] The limitation quoted does not appear in the substitute bill H. R. 15,445.

—established lines. Under normal conditions of peace private companies can be induced to operate government ships only if the rate of lease or charter is sufficiently lower than the market or offset higher American operating costs. Somebody must pay the difference. Under the proposed policy it will be the taxpayer, just as surely and completely as under a subsidy policy. If, then, government aid is extended only through leasing of government owned vessels, the American flag in foreign trade will become a government monopoly. Increase of American shipping, so long as operating costs exceed those under foreign flags, will depend upon the willingness of taxpayers to increase appropriations for new construction and continued deficit in the government shipping account.

Private Capital Willing but Discouraged

With the fullest conceivable accomplishment of this law supplying less than one-tenth of the tonnage necessary to make the United States a first-class maritime power, what prospect remains for the provision of a greater American general cargo carrying tonnage of the necessary tonnage by private capital? The willingness of capital to engage in ocean shipping is indicated by upward of 250 vessels now under construction in American shipbuilding yards. Existing yards have been enlarged, abandoned plants revived, and new plants established to meet the abnormal demand for construction, but whether vessels now on the ways shall be permanently operated under the American or foreign flags, will depend upon whether such operation is profitable, and that in turn depends upon government policy.

Lack of National Policy

In what situation, therefore does capital find itself when urged to gradually finance, at a cost of between half a billion and a billion dollars, the construction of 6,000,000 to 10,000,000 tons of steamships of various sizes and types? First of all, it finds this country without a definite shipping policy. Whereas in England all policy, governmental and commercial has long leaned toward shipping, American policy has ignored it. Until 1913 no vessel could fly the American flag unless built in the United States. The Panama Canal Act, in the hope of producing an American tonnage, which could avail of the waterway built by

American skill and treasure, reversed this protective shipping policy and authorized the admission to American register, exclusively for the foreign trade, of foreign built vessels not more than five years of age. But the increased cost of operating vessels under the American, as compared with foreign flags was so great that not one foreign built ship was transferred until the war created abnormal conditions, offsetting the higher cost of operation, and the President, by Congressional authority, suspended the most onerous restrictions of the navigation laws, while the chief incentive was to permit American owned foreign-flag vessels to gain the protection of United States neutrality. This policy was also designed to enable American vessels to compete effectively with those of other nations, but was followed almost immediately by a proposal for government ownership and operation of vessels, which discouraged private capital, for it promised to interpose governmental competition regardless of profits, into the shipping situation.

Then came the Seamen's Act, designed to force the shipping of all foreign nations touching at American ports to operate on the same high cost plane as vessels under the American flag, but which, in actual operation, imposes certain restrictions on American vessels which do not apply to those of certain other nations. All of these policies were advocated "for the encouragement of the American Merchant Marine" but no two of them originated in the same quarter. None completely covered the needs of American shipping. Only one, the Ship Register Act of August 18, 1914, has been effective and that solely by reason of abnormal war conditions. Private capital has been confronted with a succession of promises and disappointments, an incomplete and changing legislative purpose.

Encouragement or Restriction?

The efforts of Congress to deal with the subject have been sporadic and fragmentary, and it is not yet apparent whether the legislative mind desires to consider shipping as an industry which, when properly developed, will render economical service to American foreign trade, or as a service which should be so regulated as barely to exist. The pending bill, barren of encouragement for privately owned shipping, appears to proceed from a desire for governmental repression of rates, on the

principle that the use of American ports, improved at public expense, is a privilege equivalent to that of eminent domain enjoyed by a railroad, and therefore obligates vessels to governmental control. This seems to overlook the fact that port improvement, from the earliest times, has been designed to attract shipping. Any restriction in excess of those applying to shipping at competing ports will tend to nullify the benefits derived from enormous appropriations for deepening channels, lighting roadsteads and improving terminals, all of which attracted such numbers of vessels as produced steady competition for export freight.[5]

American Shipping at Competitive Disadvantage

It is urged that the application of the law alike to American and foreign vessels precludes discrimination and subjects the American ship to no disadvantage as compared with the foreign ship seeking cargoes from the same American port. American vessels, however, must also meet in their circuitous voyages the competition of foreign ships which never call at American ports, and therefore will never be subject to the Seamen's Act's requirements as to manning and equipment, or to the proposed rate regulation of this bill. All American vessels will be obliged to meet the maximum requirements of the American laws, but only that portion of foreign shipping which calls at American ports will be similarly burdened. The struggle for survival would naturally occur in trade wholly foreign to the United States, such as from the United Kingdom to South America, or Africa, or the Far East, between American ships complying with all our extreme navigation legislation and foreign ships permitted by their governments to operate on a competitive level with rival maritime enterprise. To live on our own export and import trade American tramp steamships must be able to live on the odd legs of the circuitous voyages necessary to avoid return in ballast. The fact that American shipping is now highly profitable is no criterion of its ability to compete during a shipping depression such as may follow a few years after this war and such as did follow the Boer war.

[5] The substitute bill modifies the rate regulation in foreign commerce proposed by H. R. 10,500.

Effect of Regulation of Rates

Ocean shipping is the most competitive of industries; a constant struggle for existence, chiefly among nations for centuries engaged in maritime carrying. It is difficult to conceive success for the American entrant if burdened by legal restrictions not borne by the older and stronger opponents. Insofar as such laws apply equally to American and foreign vessels they increase our freight rates and handicap our trade. If they do not apply to foreign vessels they drive our ships out of business. This proposed policy of regulation of ocean freight rates, springing, apparently, from dissatisfaction with existing abnormal rates, is expected to benefit American shippers, on the ground that they are not already sufficiently protected by the normal operation of the law of supply and demand. Admittedly abnormally high rates spring from a scarcity of ships. The following Associated Press dispatch sheds light upon efforts to control shipping by regulation of rates:

> Manila, March 4, 1916.—Inter island traffic is seriously affected by the withdrawal of a number of coastwise trading vessels which have accepted charters for foreign trade. Four of the ships have already left the local service and six others are preparing to leave. Foreign charter rates have been growing increasingly attractive, whereas local rates for transportation are stable, being fixed by laws.

Ship-Owning and Rate Regulating Power Inconsistent

The bill proposes to endow the Shipping Board with two inconsistent functions: that of shipowner and that of regulator of ocean steamship rates and practices. At the same time that the Board is charged with a vindication of the policy of government ownership and a justification of the expenditure of $50,000,000 either through operation of the ships by the government or through leases to private companies, it will have practically unlimited power to prescribe the rates and practices of its competitors. Such a condition is comparable only to the unthinkable possibility of a single railroad in the United States being given the power to regulate the rates and practices of all its competitors.

Since export freight rates are, as a general rule, paid by the purchaser and do not affect the seller unless they are higher than those enjoyed by an oversea competitor, a government rate regulating policy would seem to thwart the advantage which the

American exporter sometimes can obtain by a special rate sufficiently low to enable him to place his product in a foreign market at a lower price than his oversea competitor.

While the bill provides that preferential rates may be ordered by the Shipping Board, it is doubtful if this process would be sufficiently expeditious to meet the needs of competition with the shipping of other countries whose governments, after careful consideration, have declined to attempt the regulation of ocean freight rates. It is respectfully submitted that the control of ocean freight rates by exercise of power to deny clearance to foreign vessels, is a hazardous experiment, vastly different from the regulation of railroad rates in interstate commerce, where all carriers are equally subject to federal control.

Possibility of Reprisals

In the increasingly keen competition for foreign trade, American vessel owners are at liberty to offer, and shippers to seek, the lowest possible rates for the extension of American trade in neutral markets. Whether an official shipping board's regulation of rates in such manner as to stimulate American export competition in a given neutral market would be deemed, by the competing countries, to be a discriminating policy, is a consideration not to be ignored. The possibility of reprisals should not be overlooked. This bill proposes on behalf of the United States an innovation in the "free ocean" conditions under which 45,000,000 tons of steam shipping has been established by the nations of the world in foreign trade, a considerable portion of which in time of peace has always been responsive to the needs of American exports and imports. The purpose of the proposed legislation is to supplement this responsiveness to the law of supply and demand with a certain compulsion, but it is greatly to be feared that the imposition upon all vessels clearing from American ports of requirements in excess of those prevailing at the ports of competing countries will drive away the carriers whose ample numbers normally [though not during the present war] produces a competition assuring reasonable rates.

Regulation of Conferences

Attention is called to the fact that after exhaustive investigation of ocean freighting conditions, rates and practices, the Merchant Marine and Fisheries Committee of the House of

Representatives deemed it wise to go no further, in regulation of water carriers in foreign commerce than is provided in the Bill H. R. 450,[6] now pending, which denies clearance only to vessels operated by shipowners or charterers guilty of oppressive practices, rebating, etc., and which provides for filing of conference agreements, etc., for approval or disapproval by the Interstate Commerce Commission, and which forbids rebating, undue discrimination between persons and places, and authorizes the prescribing of maximum reasonable rates only when complaint has been made that rates in effect are unreasonably high or discriminatory. In other words, it provides a method for the elimination of abuses without attempting to cover the oceans of the world with a fabric of artificial rates, a task often considered but never attempted by nations with a far greater dependence than the United States upon marine transportation. H. R. 450 provides for no system of licenses. The fact that European maritime nations have, under war necessity, adopted a license system in order to retain the use of their national shipping in an advancing market, affords no basis of comparison for the delineation of an American policy in time of peace.

Denial of Right of Sale Fatal to Investment

The stipulation that no vessel registered or enrolled under the laws of the United States shall be sold, save to an American citizen, is designed to prevent a principle universally characteristic of maritime development, namely, the sale of old ships to make way for new. A well organized merchant marine should consist of a large percentage of new vessels, the superior efficiency of which is derived from lighter repair bills and lower insurance. Only the necessities of war caused the European maritime nations to forbid the alienation of their vessels. Such policy is unsuited to conditions of peace, and, in the case of the United States, will seriously detract from the value of shipping investments. That nation which has the fewer ships should be the last one to close its doors against selling its ships except in war times.

Your Committee believes the present lack of clear, public comprehension of the problem involved in the upbuilding of

[6] The general provisions of H. R. 450 have been embodied in the substitute bill H. R. 15,455.

American shipping is such as to render impossible national agreement upon any policy yet suggested.

THE RESTORATION OF OUR MERCHANT MARINE[1]

Now, a word as to another expedient named by Judge Hardy, of discriminating duties. I am not an advocate of discriminating duties. It is not the policy of the political party to which I personally belong. But it is today the law of the United States, enacted by an overwhelming majority by a Congress of the political party to which our visitor belongs. Into the Simmons-Underwood tariff there was written, in 1913, a provision that goods imported in American ships should be imported at a rate of duty 5 per cent less than if brought in foreign ships, unless such a practice conflicted with the commercial treaties of the United States. That policy was placed on the statute books by a Democratic majority, in a bill signed by the present President of the United States. No sooner was it enacted than alarm was taken by the Treasury Department and the Department of State, because of protests from foreign governments. That provision was as much a part of the law of the land as any other part of that tariff for revenue only, but it was suspended as to actual operation; it was nullified by the Treasury Department. The case was taken to the Board of General Appraisers, who declared that the law was valid and that American ships could receive the benefit of that 5 per cent reduction. The bill was again taken to the Federal Courts, and it was decided that the law was valid both as to American and as to foreign ships of governments with which we had commercial treaties. The law was then taken to the Supreme Court of the United States, and there the case is now pending and being argued.

I am not a believer in discriminating duties and, with a word or two more, I will dismiss the subject, because I believe that under the circumstances, the expedient, whatever the merit or

[1] Address by Winthrop L. Marvin, Member of the Special Committee on Merchant Marine of the Boston Chamber of Commerce, before the Economic Club of Boston, February 23, 1916. Printed in the National Economic League Quarterly. 1: 28-38. May, 1916.

lack of merit it may have, is impracticable for the American people. The discriminating duty policy was the policy of the fathers of the Republic. When it went into effect a few years, we were carrying 90 per cent of our imports and exports. The policy was not abandoned in 1815. It was not abandoned in 1828 or 1830. There were propositions to abandon it in the form of reciprocity, but no full reciprocal action was taken by other nations at that time, and the discriminating duty remained in force against Great Britain until the year 1849.

Under that policy not only were foreign goods admitted in American ships at 10 per cent less than if brought in foreign vessels, but there was a discriminating tonnage duty against foreign ships, and there was in the China trade and the East India trade another discrimination in the rate of duty on tea, which was the principal article of import, that made it cost 5 or 6 times as much to bring tea from China and India in foreign vessels as in American vessels. The result was that no tea whatever came in foreign ships from the East Indies. It was under the discriminating duty policy that the merchant princes of Salem and Boston and New York and Philadelphia sent their great fleets to the East Indies.

It was there that the foundation was laid of the American clipper trade. The men who manned the ships, and merchants who owned them, were then more heavily subsidized, more thoroughly protected, than any other citizens of the United States, and the subsidy given to American ships by that legislation was so far more generous than any subsidy proposed under Judge Hardy's or any other plan that there is no comparison between them. The merchant marine was once a protected industry. It was protected for a great many years by discriminating duties and tonnage taxes, and the duties on tea.

I would like to have Judge Hardy's attention to this particular consideration, that when Great Britain began to give subsidies, the United States, in a few years, followed her example, and the subsidies to regular lines plying to Europe, the East Indies, and the Pacific Ocean were granted by a Democratic Congress, on the recommendation of President Polk. (Applause.) Moreover, that policy succeeded. We started a dozen years after Great Britain, but in a few years, under these Democratic subsidy laws, that possibly have never been brought to Judge Hardy's notice, we exceeded Great Britain in our steamships

on the Atlantic Ocean, to the West Indies, and on the Pacific Ocean.

We not only excelled Great Britain in the growth in our shipping, but we surpassed Great Britain in the excellence of our boilers and engines and the design of our hulls. In England, as in this country, the men who turned their attention to building steamships, were the very men who had been building sailing ships, and the men who built the steam engines and boilers in the United States were just as proficient as those in England.

It is often said that iron ships caught us at a disadvantage, that we did not know how to build them, and that we kept on building wooden vessels. Why, we built iron steamers in 1842. The steamer Bangor, built of iron by Harlan & Hollingsworth, at Wilmington, was plying between ports on our New England coast long before the Civil War. Many of you may remember the iron shipyard of Harrison Loring, in South Boston. He built iron ships. I recall seeing them plying in the coastwise trade. Why didn't we go on building iron steamships? This is the reason: Right in the height of our battle with Great Britain, and when we were winning, another Democratic Congress, influenced by different motives, took away subsidies, and killed the American steamship industry.

There is still another proposition in that bill, for government ownership and operation pure and simple. I do not believe in that. Our Chamber of Commerce, which contains many Democrats as well as Republicans, does not believe in that. It is unnecessary, because there are no merchant vessels afloat that can be made available for this extraordinary emergency in the world's carrying trade. The American shipyards are full of orders too. The American shipyards have contracts that will require two or three years to complete. And neither the government of the United States nor any other authority in existence can bring into existence any commercial ships before that time.

Here in New England government ownership is equally repugnant to Republicans and to Democrats. I found that out when the matter was brought up in our Chamber of Commerce, and I believe it is the largest commercial organization of the kind in the United States. When the matter was brought up before the directors of the Boston Chamber, I think there was

no dissent to denouncing the government ownership principle. They say the government ownership plan is justified because private capital has done nothing. Private capital has not had a chance to do anything. If, instead of putting the government into the ocean shipping business, suppose you proposed to put it into the business of growing cotton, and to turn half of the acreage of Judge Hardy's state into a business that would not have to earn any profit, do you think that would get any votes in Texas? (Applause.) I think that if our eloquent friend ran for Congress on a platform of government ownership and operation of cotton plantations in Texas, a Republican could win against him.

If the government of the United States proposed to go on to Washington street and start a department store alongside of Jordon Marsh's or R. H. White's, what do you think they would think of it? If the government of the United States came into the state of Massachusetts and undertook to operate boot and shoe factories without any profit, what would the communities and citizens employed today in the shoe industry think of it? I do not believe that I need to pursue that proposition very long, because the government ownership bill is the most grotesque, unfair, and iniquitous ship subsidy bill that was ever proposed.

We have had a great deal of denunciation of subsidies. Undoubtedly you can have a bad subsidy bill. If you had a bill that gave Bill Jones a subsidy and did not give Jack Smith a subsidy for the same class of ships, you would think it was iniquitous, and so it would be. The government ownership feature authorizes the United States government to raise through the issue of Panama Canal bonds, $50,000,000 to build ships, and operate them in the foreign trade of the United States, and possibly in the coastwise trade. But let us deal with the foreign trade alone. Those ships are to be owned by the government. They are to be operated by the government. Under a certain contingency the government can form a corporation in which the government can hold 51 per cent of the stock. These ships are to be operated anywhere on the ocean where the Shipping Board may see fit to send them. I think it is reasonable to assume that any intelligent United States Shipping Board would not establish any regular lines or routes where any regular American steamships were running now under the mail subsidy that we still have on our statute books, and that we have had

there for a great many years without any Democrat suspecting it.

The government is not going to let any government-owned ship go into bankruptcy. It is not going to have any government-owned ship seized by its creditors. The government-owned ship is not going to receive any subsidy in appearance, but, at the end of the year every obligation of that government-owned ship is going to be paid out of this $50,000,000. It is going to be called an appropriation, but it is just as much of a subsidy as any grant that could possibly be made by authority of law.

A subsidy has been sought for American ships for this reason—on account of the lower rates of wages of the foreign ships, and the subsidies that certain foreign ships receive. Such a subsidy, except on a few mail lines, has not been granted to private shipowners, but it is going to be given, by this bill, to ships altogether owned by the government, or to the ships of this corporation of which the government is 51 per cent owner, and some gentlemen over in Wall Street may own 49 per cent, and draw 49 per cent of the dividends that may accrue.

Tramps run here, there and everywhere, all over the world. Take one of our East Boston wharves. There may be lying at that wharf, three ships loading, say, for the East Indies. One may be an American ship privately owned by the Coastwise Transportation Company, or somebody else, a good Boston house, unsubsidized. On the other side of the dock lies a foreign ship that is manned at one-half of the American wage scale. At the end of the dock lies a government-owned American ship. They are all loading cargoes for the same destination. At the rates of freight that are going to prevail when normal conditions are restored, the privately owned American ship is going to lose money on that voyage. It is coming back, and its owners will have to make up, out of their savings, what they have lost by that transaction. The foreign-owned ship goes on her voyage with her low-wage foreign crew, and because of that, and because some tramp steamers are subsidized, that foreign ship is going to make a reasonable profit on the voyage. The government-owned American ship, is going to lose just as much money as the privately owned American ship, but the loss will be met in a different way.

If his government-owned ship had not gone into the trade,

the American privately owned ship would have to compete only with the foreign ship, with its cheap wages, but, under this proposed law, the privately owned ship has to compete not only with the foreign ship, but with a ship subsidized against it by the government of the United States. Did you ever read in American history of a deal like that. Put the two on an even basis; give the two an even chance against the foreign ship. That is not what is proposed in this bill, and that is not what is going to be accomplished.

THE AMERICAN MERCHANT MARINE[1]

Various schemes for rebuilding our foreign-trade merchant fleet have from time to time been suggested. The most recent of these is embodied in a bill popularly known as the Ship Purchase Bill, which failed in the Senate through the opposition of the Republican minority and the defection of a few members of the Democratic majority. In its original form it provided that the government, through a shipping board composed of the Secretary of the Treasury, the Postmaster General, and the Secretary of Commerce, should subscribe for 51 per cent of the capital stock of any corporation, now or hereafter organized, for the purpose of purchasing and operating merchant vessels to meet the requirements of the commerce of the United States. The initial capital stock of the corporation should not exceed ten million dollars and the corporation was to begin business as soon as the 51 per cent of the stock was subscribed for by the United States. The vessels owned by the corporation should engage only in the foreign trade. The bill carried an appropriation of ten million dollars and authorized the Secretary of the Treasury, upon request of the shipping board, to sell Panama Canal bonds to the amount of $30,000,000 for the purpose of purchasing or constructing vessels for the corporation.

Now, if what limited experience we have had has not taught us that business enterprises cannot be operated as economically or efficiently under government as under private ownership, it should yet seem plain that this must necessarily be so, for the chief incentive in all business is gain, and no business can be

[1] By John H. Thomas. Century. 90: 200-7. June, 1916.

permanently profitable which fails to serve its patrons effectively or is heedless of the need of economy. With a government-owned enterprise no such incentive exists, and no need of economy is plainly apparent. It is not the business of government to make money, and while government officers may be, and generally are, quite as honest as the officers or heads of private business enterprises, they are not expected to earn money, and where their duties involve its expenditure, they are not of necessity concerned over the fact that the department over which they preside is not being operated at a profit, since appropriations may be confidently looked for in the event of a deficit. Their incomes are fixed, and their tenure of office is frequently uncertain; hence they lack the spur which the promise of increased income as a reward for efficient work affords, and cannot count upon a term of service long enough to make worth while a complete mastery of the business.

Almost all business is competitive and highly specialized. None is more so than that having to do with shipping. The great business enterprises of to-day are presided over by men who have been fitted for their tasks by long training and have reached the front ranks through the operation of the relentless law of competition. The profits resulting from the operation of any large competitive business are at times great, and the losses are frequently heavy. This is perhaps truer of shipping than of any other business, for the competition it must meet is as free and open as the seas. The knowledge, the skill, and the foresight necessary for the management of a fleet over a series of years so as to have it yield the investor a fair return on his capital can be acquired only through a long and hard apprenticeship. Those who have successfully served this apprenticeship are well paid for their services, and deservedly so. They are not available for government-owned enterprises, with no rewards to offer for skilful and successful management. It would be difficult to imagine private capital seeking investment in a corporation organized under an act of Congress such as this, which reserves to the government control of the business through a shipping board no member of which may have had, or is in fact likely to have had, any knowledge of or experience with shipping. It would be equally difficult to imagine a man holding a responsible post in the shipping trade assuming, with any regard for his reputation, the management of such a corporation.

It would be an utter and probably a scandalous failure. That a Democratic President should have advocated and a Democratic Congress seriously considered such a measure is remarkable, for it is wholly foreign to all theories as to the province of government for which the party has heretofore stood. It was urged that some such radical departure was necessary in the interests of our export business; that on the outbreak of the war we suddenly found ourselves so short of transportation facilities that we could not send our surplus output to the markets that were still open. Nothing could have been further from the truth. The great merchant fleet of England is navigating the seas unhindered and unafraid. From the first day of August to the present time its ships have been moored at every American port from Boston to Galveston, loading cargoes for all parts of the world.

American exporters who have orders from abroad may find ships loading for British, Mediterranean, South African, South American, Australian, and far-Eastern ports. Freight-rates, it is true, have reached an abnormally high level, and shippers who have sought to supply the warring nations with war material have at times found difficulty in securing room; but a state of war always makes high freight-rates followed by a sudden collapse and a period of depression. American ships are to-day asking a very high premium for the protection that our neutral flag affords. To those familiar with the operation of ships there is nothing surprising in the sudden advance in freight-rates at a time when almost the whole continent of Europe is in arms. This advance is not due wholly or even in great part to a shortage of ships. The passenger-carriers must be laid up or run as freighters. A steamer built for the passenger trade cannot be run for freight alone except at very high rates. War-risk insurance adds enormously to the voyage cost. Delays incident to the congested condition of ports in England, France, Italy, and elsewhere, to the shortage of labor, and to arrest and search by the admiralty authorities, are all contributing causes to the present high freight market.

REPORT OF THE SPECIAL COMMITTEE ON THE MERCHANT MARINE[1]

Majority Report

Your committee are of the opinion that government ownership, combined with operation, is unwise, and advocates its avoidance, which opinion also seems to be the general verdict of the business world. Our government might better profit by the successful experience of others, and not establish the precedent of even temporary experimental competition with its own citizens.

Government operation is un-American, is likely to be more extravagant and expensive than private control, and will seriously interfere with individual initiative and retard the enterprise of our citizens.

The Alien lines now operating would be forced into competition with our government, or joint cooperation would have to be entered into, or acquiesced in, if uniformity of rates was established; an action which might lead to undesirable complications. If the government operated vessels of considerable speed, and rate competition was severe the lower speed steamers of the Alien lines would make money, while the government line would lose heavily.

The Alexander Bill also states "The vessels purchased or constructed by the United States through the Shipping Board, with the approval of the President of the United States, shall be of a type as far as the commercial requirements of the foreign trade of the United States may permit, suitable for use as naval auxiliaries in the naval establishment of the United States."

Special construction is expensive, and while speed is desirable for mail carriers, vessels of high speed cannot compete at equal rates with vessels of low speed. We must have the proper tools to do a certain class of work, based on the work itself. If forced to take tools unsuitable, no contractor will care for the contract, and so it would be with passenger and freight lines. Men of experience versed in shipping matters would wish to secure their own steamers adaptable to the purpose contemplated. The speed of most vessels running on Alien lines to China, Japan, India,

[1] Chamber of Commerce of the United States of America. p. 3-9. May 8, 1915.

Australia, Africa, New Zealand and the East generally does not exceed 9½ to 10½ knots on the average, and the same condition applies to the South American lines, with the exception of a few vessels of a higher type that are now being operated.

Thirty million of dollars, a large amount as it is, would only secure a small number of steamers, a mere bagatelle in comparison with immediate national requirements, and while experiments are being tried with these we may be put back several critical years in making full provision for our necessities. On the other hand, if the vessels are contracted for, even in part, it may mean serious delay in establishing contemplated oversea lines.

The great problem of your committee is to determine if our desires can be realized in a better way than by the government program, as we fully appreciate that a policy should not be disapproved unless such disapproval is based on good ground, and also accompanied by suggestions and feasible plans to accomplish better and more economically the purposes desired, so as to appeal to public sentiment and to Congress.

We question whether the American people are so strongly opposed as is claimed to the payment of reasonable subventions, which many think is the simplest, and probably the most inexpensive, method to establish mail lines to South America and elsewhere. Under this plan no responsibility rests with the government, contracts are made and bonds are given to faithfully fulfill obligations entered into, and the cost is defined and limited.

As an alternate proposition the existing ocean mail act can be amended to provide a justifiable and fair remuneration.

The present ocean mail law which is administered by the Post Office Department places the speed of vessels on so high a basis in class 1, namely 20 knots, that practically no lines have been able to conform to these requirements, as the cost of construction and the speed demanded make the operating expense of such vessels entirely too high. We would suggest that the speed be reduced to 16 knots on first-class ships and on second-class vessels where the law now calls for 16 knots, that the speed be reduced to 12 knots, adequate compensation being allowed to establish lines desired.

REFERENDUM NO. 9—MERCHANT MARINE[1]

At the third annual meeting the debate upon the report of the Committee on Merchant Marine took first place in importance. It was finally voted that the points at issue should be submitted to the entire membership by referendum. The debate had centered chiefly on the Administration's pending ship purchase measure but as less than a month would elapse between the annual meeting and the final adjournment of Congress on March 4, while it requires forty-five days to complete a referendum, it was obvious that no result could be obtained in time to influence the course of pending legislation. The board therefore decided to broaden the scope of the inquiry and ascertain the views of members upon general principles of ship subsidy, mail subvention and the like in addition to the specific recommendations of the report. Two ballots were accordingly submitted. The referendum was issued on May 8 as Referendum No. 9 and the voting closed on June 22. Two hundred and eighty-two commercial organizations, located in 39 states, the District of Columbia, Alaska, Hawaii, the Philippines, Porto Rico, and Paris, France, took part in the voting. The result was a severe arraignment of the proposition for government ownership either with government or private operation of vessels and a strong endorsement of the principles of subsidy, mail subvention and rate regulation. Only one recommendation, No. II on Ballot 2, failed to secure the two-thirds vote necessary to commit the Chamber.

Ballot Number One

I. Do you favor the government undertaking the purchase, construction, or charter of vessels for mercantile purposes, together with the operation of such vessels?

89 VOTES IN FAVOR; 690 VOTES OPPOSED

II. Do you favor ownership of merchant vessels by the government but with operation by private parties under leases?

51 VOTES IN FAVOR; 713 VOTES OPPOSED

[1] Nation's Business. 4: No. 2. Pt. 2. p. 9-10. February, 1916.

III. Do you favor subsidies from the government sufficient to offset the difference in cost between operation of vessels under the American flag and operation in the same deep-sea trades under foreign flags?

554 VOTES IN FAVOR; 189 VOTES OPPOSED

IV. Do you favor subventions from the government to establish regular mail and freight lines under the American flag to countries in which the commercial interests of the United States are important, and to American dependencies?

713 VOTES IN FAVOR; 52 VOTES OPPOSED

Ballot Number Two

I. The Committee recommends the creation of a federal shipping board to investigate and report to Congress regarding the navigation laws and to have full jurisdiction, under the law, in all matters pertaining to over-sea transportation.

639 VOTES IN FAVOR OF THE RECOMMENDATION; 116 VOTES OPPOSED

II. The Committee recommends that the government subscribe to the entire stock of a marine development company with a capital of thirty million dollars, this company to have authority for seven years to lend, under the supervision of the Federal Shipping Board, upon the security of first mortgages on merchant vessels, taking as evidence of their indebtedness bonds which bear a fair rate of interest and contain provisions for amortization, the development company to guarantee the bonds as to principal and interest and sell them to the public.

416 VOTES IN FAVOR OF THE RECOMMENDATION; 314 VOTES OPPOSED

III. The Committee recommends that the ocean-mail law of 1891 be amended by lowering the speed for first-class steamers from twenty to sixteen knots and for second-class steamers from sixteen to twelve knots, and by making the compensation adequate to permit the establishment of lines of steamships carrying both mail and freight.

692 VOTES IN FAVOR OF THE RECOMMENDATION; 58 VOTES OPPOSED

IV. The Committee recommends that there should be legislation abolishing deferred rebates and providing for supervision of rates by the Federal Shipping Board, with requirements for

filing with the Board schedules of rates and all agreements among over-sea lines.

601 VOTES IN FAVOR OF THE RECOMMENDATION; 130 VOTES OPPOSED

V. The Committee recommends that federal licenses should be taken out by lines, domestic and foreign, engaged in shipping between ports of the United States and other countries.

610 VOTES IN FAVOR OF THE RECOMMENDATION; 120 VOTES OPPOSED

In connection with this recording of business opinion it is interesting to note the altered form and substance of the Administration shipping bill which has been introduced in the new Congress in the past few days and which has received the careful study of the Chamber's Committee on Merchant Marine.

SHIPPING BILL WILL ADD NOTHING TO OUR TONNAGE[1]

MR. HADLEY. Mr. Chairman, we are all alike solicitous for the development and expansion of our mercantile marine, but notwithstanding the purpose expressed in the title of the pending bill under existing conditions, if enacted into law, it can add nothing to the total of our tonnage.

Our domestic shipyards are already worked to the limit of their capacity. New yards are in course of equipment. Private capital is seeking investment in vessel properties beyond all precedent. If the government seeks to buy ships, where will it find them for sale? The minority report contains the statement based upon the showing at the hearings that "Great Britain, France, Germany, Austria-Hungary, Sweden, Norway, Brazil, and other maritime nations have prohibited the transfer of any of their tonnage now afloat to a foreign flag." But if perchance any ships are for sale the diligence of the private investor, in the present state of marine activity, will seek and find them. If the government should compete it would only be to further stimulate existing fabulous prices and to render them altogether prohibitive. The bill confers authority on the government agency it would

[1] Speech by Lindley H. Hadley, Representative from Washington, in the House, May 16, 1916. Congressional Record. 53:9140-1 (current). May 16, 1916.

create to purchase vessels and then to sell or lease them. What advantage is to be gained by the government acting as a mere intermediary or middleman? It is proposed to put it in the ship-brokerage business. It can not buy or lease on a more favorable basis than the private citizen. Why should the latter not deal in the market for himself? There can be but one consideration to induce such a transaction between a citizen and the board, and that must move toward the citizen. In other words, the board must bargain at a loss, if it bargains at all. Let the government build vessels and the result will be the same. It is stated that it costs approximately $2,000,000 more to build a modern dreadnaught in a government yard than in a private yard. It is manifest that in the event of construction by the government the private investor will not take vessels over when he can buy others for less money, except on equal terms, and that would mean government loss. The logical end of the contemplated transactions, whether they be by way of purchase, lease, or construction is necessarily a resort to the provisions of the eleventh section of the bill, the organization of holding companies and the operation of the vessels.

Irrespective of the merits of that course as a matter of governmental policy, it should be considered here in the light of probable results. The end sought is an increase of tonnage. The great weight of opinion expressed at the hearings by those best informed on the subject was unqualifiedly to the effect that the provision for government ownership and operation of vessels would cause a greater loss of tonnage from private sources than the gain to be realized. If this was not true, the little that will be created in the event of government construction can in no event be delivered in less than from two to two and a half years. Supplementing the 360 ships now building in American yards, the great activity of private capital, if it is not intimidated by the enactment of this bill in its present form, will meet the emergency in the meantime. If, on the contrary, the plans proposed in this bill are put into execution no one can say how much of the tonnage now under construction will fail to come under American registry and how much will seek registry and trade beyond the jurisdiction of government competition or government restrictions. Government ownership and operation of an entire merchant marine is a very different thing from the ownership and opera-

tion of a small percentage only in competition with that privately owned. The latter is the case presented here.

No showing has been made to demonstrate wherein the investment contemplated will give better or earlier results than the investment of private capital will yield. We are not informed where lines will be established, what ports are to be directly favored, nor what existing lines, if any, are to be subjected to competition. If new fields of operation are to be opened, it does not appear upon what theory we are to anticipate profitable operation where the ingenuity of private enterprise has declined to venture. All we know is that we are asked to join blindly in staking $50,000,000 of public money upon an enterprise which no other great maritime nation has voluntarily undertaken, surrounded by the conditions, and facing the probabilities stated. In the domain of private enterprise such a course would meet with universal condemnation. It has no claim to support at our hands except such as business expediency may justify.

The bill contemplates the construction and equipment of the vessels in question in the cheapest market. By its express terms preference is to be given to domestic yards only in the event of "other things being equal." The advantage of spending the money at home, and the endless chain of circulation as a result, in the benefits of which our people would participate, is wholly disregarded. We would, indeed, present a remarkable spectacle before the world if we should provide for the government to take $50,000,000 of the money of the American people and expend it in foreign lands for what they themselves produce, and at the expense of their own labor. I stand for the building of American ships in American yards of American materials and with American labor. I am opposed to expending public funds for that purpose beyond the jurisdiction of the United States.

THE AMERICAN MERCHANT MARINE[1]

This brings me to the question of the Government Shipping Bill. This legislation was originally advocated solely because of

[1] Address by John W. Weeks, United States Senator from Massachusetts, at the dinner of the Academy of Political Science, November 12, 1915. Printed in the Proceedings. 6: 28-47. October, 1915.

the emergency which developed at the breaking out of the European war. If, however, that were the only reason for it there would be no necessity for taking it up again, because although our trade this year bids fair to be half a billion dollars greater than ever before, there does not seem to be any serious complaint of insufficient shipping to carry it; but there were other reasons for not passing this legislation which were sufficient even if an emergency did or did not exist. To have obtained ships that were not employed, it would have been necessary to have purchased those belonging to a belligerent, and with this possibility in view our government was at once notified by the representatives of the belligerent nations that the purchase of ships of that character under such circumstances would not void their right to seize and condemn them. Therefore, if we had purchased the German interned ships, which were the only ones available, and as I think was originally intended, the action would have been tantamount to buying a quarrel.

If belligerent ships had not been purchased, nothing whatever would have been gained in the emergency which was supposed to exist, because all American and neutral tonnage was engaged to its utmost capacity and earning larger returns than ever before. Therefore, the prices which it would have been necessary to pay would necessarily have been excessive, and a corresponding loss would have been incurred when the government wished to dispose of the vessels or in any way to get out of the transportation business. Not a ton of additional shipping would have been put into operation as a result of the passage of such a bill; it would simply have meant the transfer of ships operated by private individuals to government operation which, if we may judge by the results of government operation in other ways and in other places, would have lessened rather than increased the efficiency of the ships transferred.

Moreover, and more serious than any and all of these reasons was the one which should have been sufficient to condemn the whole project, and that was the attempt to put the government permanently into transportation business of any kind, in the operation of which it was confessed material losses would have been made. A careful study of government land transportation in those countries where there are state-owned and operated railroads demonstrates conclusively that the government is a much less effective agency for such purposes than private corporations.

This would be particularly true in a government like ours where political conditions and changes would at once become an important factor in the results and would certainly prevent satisfactory financial returns. This cannot be better illustrated than in the case of the rural delivery service conducted by the Post Office Department. The Postmaster General last year reported to Congress that if he were allowed to reorganize the service he could save more than eighteen millions of dollars, but no step was taken to bring about this result because of political pressure which was brought against it, and that general result would develop in any similar attempt to conduct governmental operations.

It is evidently the purpose of the present administration to enlarge rather than limit governmental activities in connection with business affairs. The President in his address delivered to Congress on December 8, 1914, used this expression in referring to economical administration: "But my point is that the people of the United States do not wish to curtail the activities of this government; they wish rather to enlarge them." I am opposed to this tendency, and would as far as possible take directly the contrary course. Governments are not organized for the purpose of conducting business; they cannot produce, and never have produced, economical results in any business activity, and therefore I greatly regret the publicly-announced intent of the administration to revive the government shipping legislation which was considered and defeated last winter; for this will be done, even though chambers of commerce and other commercial organizations very largely having no interest in the shipping business have reported almost unanimously against such a course being undertaken.

In 1867 the Argentine government made a proposition to the United States to subsidize jointly a direct line of steamers, and I am credibly informed that the important South American countries would be willing now to join in such an undertaking. The only purpose now advocated in reviving the administration project is to establish lines to South America, and the business-like way to do so is to join with these South American countries in some means of encouragement similar to those followed in all other like instances. If in 1867 we had had wisdom enough to accept the proposition made by Argentina, a very considerable part of the foreign commerce of South America which now goes

to Europe would undoubtedly have been diverted to us. In any case, it should not be possible that further attempt will be made to carry out the purposes of last year's shipping bill when it has been condemned by practically every competent individual witness as well as by the great business interests of the United States.

DEVELOPMENT OF THE AMERICAN MERCHANT MARINE[1]

But, as though the Seamen's Law were not enough, merchant ship-owners are menaced by government ownership and operation. Merchants are told that as they do not buy or build more ships under present conditions, the government will step in and expend a large amount in building or purchase. As is well known, all the shipyards in the United States are full of orders, and cannot take on more for delivery in less than eighteen months or two years. Foreign shipping is selling at almost double the prices of a year ago and foreign governments are very reluctant to allow any of their tonnage to pass from their control. If the government should buy foreign steamers, it would not add anything to the carrying capacity of the world, for it would be merely a transfer from one flag to another.

Is anyone ready to affirm that the government can operate steamships as economically as private merchants or corporations? But apparently that is no obstacle in the way of government ownership at high cost and operation under labor-union conditions. In a recent address in San Francisco, the Secretary of the Treasury plainly stated that we must have American tonnage on the Pacific Ocean no matter what it costs; that if private interests would not provide it, the government would; and if in competition with foreign tonnage under cheaper conditions the government ships should lose money, the losses should be charged to the government and paid for by the people. Was there ever a more flagrant illustration of paternalism run wild? And how

[1] Read by Welding Ring, Chairman, Committee on Foreign Commerce and the Revenue Laws, New York Chamber of Commerce, at the meeting of the Academy of Political Science, November 12, 1915. Printed in the Proceedings. 6: 65-73. October, 1915.

can it be expected that private interests will continue in or enter the field against such competition? Is it not more than probable that American shipowners will again seek the protection of foreign flags, where conditions are less onerous and more profitable? A bill providing for government ownership passed the lower house of Congress at the last session and only failed of passage in the Senate after a long struggle. Already those in authority at Washington state that a new bill will be introduced when Congress opens, and pressed by government influence. It behooves every one who desires to see an American merchant marine to be up in arms and use every legitimate means to compass its defeat.

Are there any means or methods by which our shipping can be restored and our flag become known again throughout the world? There are many who believe it is possible, and the following are some details as to what is necessary:

First, the creation of a shipping board patterned largely after the British Board of Trade, which has aided so materially in building up British shipping. This board should be composed of men familiar with all shipping questions, of broad knowledge and actual experience, and they should be free from the restrictions of governmental interference, except so far as the laws of safety in construction and operation require. They should have the power to revise and reconstruct our navigation laws, making them more nearly conform to those of successful ship-owning nations, removing many restrictions, and, while making them cover every detail of safety, broadening and liberalizing their scope so that they will be less onerous, and will give greater freedom to owners. It is not wise to avail ourselves of the successful experience of others, rather than adhere to our own faulty and unsatisfactory law?

Second, a prompt suspension of the Seamens' Law, or, better still, its repeal, and if necessary the enactment of a new law avoiding the mistakes of the present one. It must be admitted that as the law now stands, it has already forced a very considerable volume of tonnage out of the trades that have been fostered, cultivated and developed for many years. Those who proposed and pressed it through Congress are the first to suffer, and our American seamen are feeling its ill effects in the lessened opportunities for employment. If Congress cannot be

induced to repeal the law, then it should pass supplemental legislation, eliminating its unfavorable features and making it satisfactory and helpful to all interests.

Third, the menace of government ownership should cease and this dark cloud of government competition be driven from the horizon. What merchant or capitalist would be willing to invest in ships when he felt that any day the government would become his competitor and carry on the trade irrespective of whether it was profitable or not? The merchant would have to bear his own losses, while the government would charge them to profit and loss and the people would pay them. Is that a competition that is fair or desirable?

Fourth, proper legislation should be enacted so that advances made by bankers and banks shall be an absolute lien on the ship, with no possibility of anything preceding such lien. England has well-defined and settled laws, operating so successfully that their banks consider loans on shipping as a most desirable form of investment, and it has been a wonderful aid in building up their merchant marine. As the United States is now leading the rest of the world as a center of capital, why should not a fair portion of our surplus go into the building up of our shipping? And it will if our laws will make such investments safe.

These are some of the fundamental conditions that must be met before we can hope to see any large development in our shipping industries. There will be other obstacles to overcome, principally the higher cost of labor and material in the building of ships in the United States, the higher wages that must be paid to officer and man our ships, and a more liberal scale of living; but all of these will be overcome if our laws are made more liberal, unfair restrictions are removed, the menace of government ownership is withdrawn, and greater inducements are offered for the investment of capital.

There is one subject that requires, and will no doubt receive, exceptional study and consideration by our people and Congress in the rehabilitation of our merchant marine, and it is a subject on which there are great diversities of opinion. Subsidies to many appear to be the only hope of regaining our lost shipping, while to many others they are the most unwise kind of assistance. Advocates claim that our shipbuilders and shipowners must have subsidies or subventions (the difference between the two being

hardly appreciable) in order to meet the increased cost of construction and expense of operation. They point to what other nations have done and are doing in the way of such assistance, and claim that the United States must do as much or more. They demand larger appropriations for our ocean mail service, and ask that with government assistance lines should be established and operated to many countries, even if in the operation losses should be sustained. This they do on the ground that "trade follows the flag," a statement that was true many years ago, when our shipowners were merchants also, selling their goods wherever they sent their ships. Today these conditions are entirely changed and trade follows the cheapest and most reliable transportation routes and the best facilities for financing, irrespective of the flag.

Those opposed to subsidies point to the fact that most of the countries granting such assistance do so principally to aid the mail service and not for the transportation of freight. England, with her vast fleet of freight liners and tramp steamships, pays only for carrying of the mails, and for special equipment and preparations for war purposes by the government. Germany pays also for mail services and affords but little assistance to cargo-carriers. In fact, the Hamburg-American Packet Company, the largest steamship company in the world, has never accepted assistance of any kind. France pays the largest subsidies, and her progress in ship-owning has been the slowest of any of the large maritime nations. Japan is the only instance where government assistance has materially helped in the development of a large merchant marine.

As between the pros and cons of this much-debated subject, there should be some medium by which our ship-building and ship-owning industries may be stimulated and yet not cast upon the government the burden of supporting unprofitable enterprises.

Sir Walter Raleigh said that the nation which controlled the shipping of the world controlled the trade of the world, and so the world itself. This may not be quite so true today, but it is true to a very large degree, and with the end of the present war the nation that has the largest volume of shipping will secure the greatest share of foreign trade.

Is it not wise for this country to be up and doing, and making preparations for the trade contest that is sure to come?

May we not hope that our legislators at Washington will awaken to the desirability and necessity of wise and proper legislation that will instil into our shipowners, merchants and bankers such trust and confidence that they will all work together in united efforts to place the United States again in the van of ship-owning countries, sending our flag into all ports of the world, and giving us a mercantile marine, the pride of all our people.

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